

Manufacturing

Wool Spinners pushes exports, but shears staff back

by Allan Parker

PRIME Minister Rob Muldoon has promised the nation, already adjusting to record unemployment, that his big resource development projects over the next decade will mean more jobs.

The theory is simple: exports mean employment. Thus the "Think Big" programme Muldoon and his Cabinet colleagues are telling the public, will provide some 161 jobs for each \$1 million net foreign exchange earnings — or some 160,000 new jobs by the end of the decade.

Added to predicted export growth from both the farming and factory sectors, total job

creation by 1990 will be over 400,000, according to Government reckoning.

So the recent news that a Dannevirke natural resource processor had been forced to sack about a third of its workforce at the same time it was announcing a virtual doubling of exports has been met with more than passing interest.

Such an apparent anomaly is even more curious considering the operation combines three elements that make it a prime developmental industry for the New Zealand economy: added value to home-grown raw materials, regional development and export earnings.

Yet for New Zealand Wool Spinners Ltd the more-exports-means-more-jobs bubble bursts on the tempered needle of profitability.

The rise and fall has taken just eight years — but the company believes the heady hopes of establishment days in the early 1970's can be recaptured by the fundamental restructuring it has undergone.

In 1973, the shareholding mix was a potent stimulant for a small town facing a predicted population shrinkage and economic obscurity.

The farmers would provide the wool to turn into carpet yarn, the townfolk would provide the labour, textile industry

interests would provide the technical and managerial skills, the Development Finance Corporation would provide money.

Indeed, Dannevirke pride in what is still the town's largest employer, despite the recent redundancies, has remained strong since the plant was opened by Warren Freer at the end of 1975.

But even then the trend that was to result in this month's redundancy notices had begun to reshape the industry.

Throughout the past decade, there has been substantial investment into adding value to the base material, wool, by converting it to yarn.

Feltex and UEB, for instance, have made considerable commitments to the process. And a number of independent operators have competed side-by-side.

But the capital-intensive nature of the industry means plant must operate as close as possible to maximum capacity before loss becomes break-even and profit.

Short-run production for a wide variety of customers means inefficiencies for yarn spinners. Thus many of the smaller independent operators merged with, or were taken over by, the carpet manufacturers who controlled their production, anyway.

The vertical integration with the carpet-makers adds the spinners of the vulnerability inherent in reliance on customers who use them virtually to supply the shortfall from their own spinning operations.

One by one over recent years, then, the independent operators have been swallowed up by carpet manufacturing units — except New Zealand Wool Spinners, which has remained an independent operator.

It has seen its local market fall to only 20 per cent of output, used mainly as a marginal supplier by the New Zealand industry.

The company tried to rectify the situation by buying 25 per cent of the Australia carpet manufacturer Bond Worth Holdings (Australia) Pty Ltd of Melbourne.

The Australian company, which makes high quality wool-rich carpets, is owned by its New Zealand shareholders as "an important force" in the Australian carpet industry.

It is certainly an important force in the Wool Spinners operation, taking some \$1 million worth of Dannevirke yarn over the past five years.

To strengthen that connection, the New Zealand company has recently opened a holding in Bond Worth Holdings from 25 to 50 per cent, a move announced at the same time the New Zealand company was reporting a doubling of exports and a shedding of staff.

The board hopes its strong presence in the Australian market will offset its losses in New Zealand.

Damage to the local company has been particularly marked since 1978, when a second stage plant came on stream.

According to chairman W. Dew the increased production "did not find a ready market, and, as a result, uncompleted orders were accepted to be the plant working a three-day five-day week".

The company thus became caught in a classic double-whammy of falling market and high overheads.

The decision to buy out of the Australian operation was taken to resolve the first problem, but the company was left with an embarrassingly high labour force.

Yet its dominant presence in the local economy made redundancy decisions difficult. In March 1980, for example, the company employed 167 people and paid out \$1.35 million in wages and salaries during the financial year. Goods and services cost the company another \$500,000 in the same period.

Clearly, any decision to reduce overheads by reducing the labour force would have a significant effect on the town and surrounding farms.

Just as closures in other towns like Shearson and Alameda have disrupted lives.

Finally, profitability made the decision for the directors. Better to lose 50 jobs than 150 and, by reducing costs and staying with the Australian operation, the board hopes the long-term efficiency will make the staff reduction temporary.

Another consideration was the continued inability to pay the original investors a return.

Says Dew: "After being in the company for 10 years, eight years' some financial return is overdue to shareholders."

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Inside

THE WEEK
Domestic electronics manufacture dropped in popularity — Page 2
Shipping Corporation losing heavily — but soon all will be profitable — Page 3
"World car" had news for local components makers — Page 5

COMMENT

Editorial, Brookie's view, Without word of a lie — Page 6

Views in the wind — the same industry speaks out — Page 7

Letters to the editor — Page 8

POLITICS

Better to look at the scene from far away — Page 9

ECONOMICS

Ways of alleviating poverty, Low style — Page 11

AVIATION

A lot more bad news for New Zealand — Page 12

FINANCE

The institutions are happy about their investments — Page 13

STOCK EXCHANGE

A weekly review of the share market turnover — Page 15

MARKETING

Now car salesman hits the motor jackpot — Page 17

BUSINESS

Profits barely visible to the naked eye — Page 18

INDUSTRIAL RELATIONS

High drama at the high dam — Page 19

REAL ESTATE

Home locators have their hassles — Page 21

EMPLOYMENT

Good and bad news on the engineering front — Page 22

AGRICULTURE

Lamb price scheme raises doubts — Page 23

TRANSPORT

Who's in the urban transport driver's seat? — Page 25

ADMARK

TVNZ ups its advertising — Page 29

SOUTH PACIFIC

What went wrong with the forestry deal — Page 30

COMPUTERS

Good news for the libraries — Page 31

RESOURCE DEVELOPMENT

God's own economy... in fact? — Pages 34, 35

ENERGY

Caltech pumps in the PR for extra CNG mileage — Page 36

NATIONAL BUSINESS REVIEW

Oil explorers race to be first with share floats

by Kleus Sorensen and Warren Berryman

AT least two oil exploration companies are planning to make public share floats on the sharemarket in the next few months.

Following the Government's announcement of a \$500 million oil exploration programme two weeks ago, two successful licence-holders, Stewart Petroleum and Cue Consolidated Ltd, have begun

looking at public floats, to raise money for the massively expensive exploration programmes.

NBR understands Cue has been having talks with Wellington broker Jordan and Co, while Stewart — in which the listed miner Mineral Resources is a shareholder — has been holding talks with Wellington's Renouf and Co.

Mineral Resources chief Jack Barbarich referred NBR inquiries about the float to Pan Pacific chairman and Oter

director Tony Radford. He said Radford could be contacted at the Renouf and Co office in Wellington, but NBR was unable to reach Radford for comment.

Sydney sources claim Cue hopes to make a \$3 million to \$5 million public float through Jardines "as soon as possible" (meaning in the next few months).

It seems a race may develop between several explorers to collect the investor's dollar. Cue in particular is understood to be aware that there is only a limited amount of risk capital available in New Zealand for such a venture.

Cue is keen to get as large a spread of local shareholders as possible — the company is understood to be looking at between 4000 and 5000 shareholders, though it doesn't want any large groupings.

A total of 16 petroleum prospecting licences as granted for a large area off the west coast, stretching from Kawhia in the north to Greymouth in the south.

Twenty-six companies will be registered as licensees and the state-owned Petrocorp will take an interest in 10 licences.

The country's biggest company, Fletcher Challenge, was one of the successful tenderers. But the plumb licences went to groups of smaller companies.

The most promising licence is said to be 114, which is adjacent to the Maui field and a consortium headed by Tricentrol. The next most promising licence is 113, which went to Stewart.

Both Jardines and Renouf and Co were unable to comment on the float proposals when contacted by NBR.

Both the Cue float and that

for Stewart (jointly owned by Mineral Resources, the Oter Mineral's oil exploration arm, Pan Pacific, and Beaver Australia) are still in the early stages.

But the fact that there are rumours of a number of other floats suggests these two explorers may step up their float preparations.

Christchurch geologist Alan Falloon, a former Hunt Petroleum man, has landed the largest single block, number 103, and has indicated that a public float may be considered to explore his licence.

There are rumours that Tricentrol may also be lining up for a float.

But a nervousness is already creeping into investment circles about the motive of some of the smaller, less well known licence-holders.

Continued on Page 41

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Winding-up petition on NZLS subsidiary

by Warren Berryman

A WINDING-UP petition has been filed in respect of a 50 per cent-owned subsidiary of New Zealand Land Securities Ltd.

A winding-up petition against NZ Land GUS Ltd has been filed in the High Court by Papatoetoe lawyer Raymond Kendall who claims he is owed \$199,500 by the \$100 capital company, which is owned 50/50 by NZLS and GUS Properties, part of the GUS Christchurch grocery group.

The winding-up petition relates to an earlier purchase of 39 acres of industrial land near the Mammkau Harbour.

NZ Land GUS bought the land in 1977. A first mortgage on it from NZLS and GUS Properties for \$190,000 was then registered (later increased to \$275,000).

On December 12, NZLS and GUS, as first mortgagees, put the property up for mortgage sale on the grounds that NZ Land GUS had defaulted under the mortgage.

At the mortgagee sale, NZLS and GUS bought in the property at the mortgagees' estimate of \$297,500.

This left the second mortgagee with a deficit against that mortgage security of nearly \$200,000. This has led to the winding-up petition.

NZLS director Charles Pearson said NZLS's moves were made on the best legal advice.

GUS director Eric Stonestreet said the sequence of events outlined by NBR was basically correct, but he had no further comment.

Some Auckland real estate sources put the value of the 39 acres of industrial land in the region of \$500,000 and it is understood that the second mortgagee felt the property was worth \$460,000 but no bid above mortgagees' estimate was made at the mortgagees' sale.

Meanwhile Whitehaven Holdings' takeover bid for New

Zealand Land Securities is not finally resolved.

A mystery buyer now owns more than 10 per cent of the shares.

To invoke the compulsory acquisition provisions of the Companies Act and take over all the shares at the 25 cents a share offer price, Whitehaven needs 90 per cent of the shares. It has about 82 per cent.

The mystery buyer acquired more than 10 per cent by offering 35 cents a share — 10 cents more than the Whitehaven bid.

The unnamed buyer is supported by other NZLS shareholders in his attempt to call an extraordinary meeting to question the directors about several aspects of NZLS' finances.

In particular they want to know details and reasons for a \$600,000 mortgage taken out by NZLS, and about the executive share purchase scheme.

NBR approached NZLS for answers to these questions last week, but NZLS executives declined to comment, saying they would consider only written questions.

Whitehaven's takeover bid was announced on February 26 1981. On March 31 1981, NZLS borrowed \$600,000 from the T & G Mutual Life Society on a mortgage guaranteed by CBA Finance Holdings and Haven Care Ltd (an NZLS subsidiary). The mystery buyer and his allies want to know what this \$600,000 was used for.

NZLS's annual accounts show no administration costs. Opponents of the Whitehaven bid want to know how much NZLS executive directors John Martin and Richard Solomon, who control Whitehaven, have been paying themselves.

In 1974 an executive share scheme was set up by NZLS and NZLS accounts show an advance of \$67,775 made by

Continued on Page 2

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Switch priorities, NZ electronics industry told

by Stephen Bell
A BRIGHT future lies ahead of the country's growing professional and industrial electronics industry, but prospects are more doubtful for the makers of "consumer" electronics — radios, televisions and appliances.

This emerges from the Government-sponsored electronics industry study compiled by a study team from the Trade and Industry Department, Treasury and Customs.

The study was originally intended to comment purely on the radio and television industry; however, electronics firms succeeded in having it broadened to include professional electronics and the electronic components sector, on the grounds that the three are inextricably linked.

The team sees the professional and industrial side as the bright side of the industry, with "significant growth and export potential", which fits well with the country's general industrial development strategy.

Local professional and industrial electronics firms have a vital role to play in assisting New Zealand's industry and commerce to make effective use of the capabilities of microelectronic technology, the document says.

Accordingly, the report suggests a package of investment aid and tax concessions for this side of the industry in particular, and recommends an all-out effort to attract investment by overseas microelectronics companies.

"The only chance New Zealand has of competing in high-volume, low-cost electronic components or products is if a large overseas electronics concern, with the essential markets, technology and capital, were persuaded to establish operations here."

At least one such effort has already been made, to attract American firm National Semiconductor to establish a plant here, but Natsemi now looks almost certain to go to Australia.

Several "experts" consulted

recommended offering direct incentives, as Singapore and Ireland have already done, but the study team acknowledges this will not be well received by the local industry.

On the home investment front, it recommends a threefold increase in support through the Development Finance Corporation's applied technology programme, with an annual sum of perhaps \$1.5 million specifically earmarked for electronics research and development.

Also suggested is a specific allocation to "appropriate government departments and organisations" — up to \$100,000 annually — to fund

development by local firms of high technology products and services required in future years by these state agencies.

Removal of the 40 per cent sales tax on microprocessor development systems is recommended.

But the report accuses the industry of a general lack of business aptitude. "Many managers/owners' enthusiasm and expertise seems to be for electronics and innovation first and business and profit second."

After considering the arguments in favour of continued import licensing protection for the consumer products

side of the industry, the team says it "does not consider them sufficiently compelling".

The report inclines towards an "overnight" removal of import licence protection, after the industry has been given a specified time, "say four years", to adjust, by amalgamation and diversification into more competitive fields.

They argued that it needed continued protection of its "bread and butter" business as a basis for diversification; but to date, diversification has been more promise than performance, the report says.

The shock of the change should however, be cushioned

by financial aid to diversification, says the report.

The study points out that many consumer firms make their own components in-house, rather than subcontracting, so the three sectors of the industry are perhaps not as closely linked as has been suggested.

Trade and Industry Minister Lance Adams-Schneider says the report represents the recommendations of the departmental team rather than the findings of the Government and the findings are to be further discussed in a series of public hearings conducted by the Industry Development Commission.

Winding-up petition on NZLS subsidiary

From Page 1
NZLS to finance the purchase of the 134,450 shares held by NZI's trust department.

After a court order cut the 50 cent NZLS shares down to 25

cents, the NZLS accounts show this advance at only \$27,632.

Whitehaven bought the executive share scheme shares from the trustee. Opponents of the bid would like to know if

and why the executives were able to control shares with a nominal value of 50 cents and then buy in at half the price when ordinary shareholders had their shares reduced in nominal value from 50 cents to 25 cents.

Whitehaven Holdings owned one-third each by Martin, Solomon, and William Stockbroker Bruce Buxton.

Buxton is also co-director with Martin and Solomon of the board of NZLS's subsidiary companies.

Martin and Solomon declined to comment to NBR on the takeover bid because they were still directors of NZLS. Buxton has acted as spokesman of Whitehaven on the grounds that he, among three Whitehaven directors, was not involved with NZLS.

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The week in brief

THE Federation of Labour and Combined State Unions shrugged off Prime Minister Rob Muldoon's ultimatum that there could be no tax cuts without an agreement to offset them against pay rises.

THE Arbitration Court announced a general wage order of 5 per cent, effective across the board from June 11.

SUBSIDIES on Devco's lamb sold in the United States will be investigated following a countervailing duty action by the American sheep farmers lobby.

DEFENCE Minister David Thomson said in Malaysia that he expected New Zealand's Singapore garrison to be disbanded by 1983.

A HEYLEN poll showed 51 per cent of the population over 15 oppose the Springbok rugby tour. Thirty-two per cent are in favour and 17 per cent undecided.

ENVIRONMENTAL groups, including the Royal Forest and Bird Protection Society, joined anti-smelter group Creednz in its Court of Appeal review of the Government's decision to put the Araroana aluminium

smelter on the "fast track" National Development Act.

The week ahead

MONDAY: Family Planning Association conference, Dunedin.

Northern Commercial Fishermen's Society conference, Auckland till Sunday.

TUESDAY: Dairy Co-operative conference, Rotorua till Thursday.

Clothing and footwear manufacturers conference, Rotorua, till Thursday.

Commerce Commission hearing into copper price begins.

WEDNESDAY: Market Research Society conference, Massey University, till Friday.

Road Transport Association discusses road user charges with government.

THURSDAY: Employers Federation advocates over a Wellington.

State opening of Parliament. Optical Holdings AGU Auckland.

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High hopes big Shipping Corp loss will be reversed

SHIPPING Corporation's losses for the financial year ended August 1980 are expected to be between \$5 million and \$7 million.

But the corporation is quietly plotting 1981 figures will show a complete turn-around into profitability.

The precise 1980 loss figures will not be known until the corporation reports to Parliament this session on its past year's activities.

Major contributors to this second year of losses were high overseas borrowing costs and associated losses for the corporation's flagships, the New Zealand Pacific.

Yet the line's future still looks bright, according to shipping industry sources. The corporation recently sold, then leased back, the New Zealand Pacific from the Bank of New Zealand, hard on the heels of a similar move for the New Zealand Caribbean.

The lease package, put together by the Development Finance Corporation, meant a major restructuring of corporation finances, while keeping ownership and control of the nation's \$84 million flagship within New Zealand.

Consideration for the deal has not yet been disclosed, but sources said it was "very beneficial" to the corporation.

Already there is private talk that the loss situation has been reversed, and after-tax profit for the year ended August 1981 is tipped to approach \$7 million to \$8 million.



New Zealand Pacific... "beneficial deal"

Corporation controllers have been able to avert a minor financial crisis by restructuring the financial arrangements for their most valuable asset, so reversing the worrying two-year trend.

Soaring interest rates and the vagaries of foreign exchange losses on capital intensive projects have been the major influences on the corporation's finances.

Under the new arrangements, first mooted in 1978, the corporation can apply to repurchase the vessel for a modest sum, after 12 years, by which time it will be largely written off.

On the trading front, activities through the year will probably produce consistent results. NBR understands up to \$30 million gross profit can be expected from operations,

either direct or by transshipment to some 80 countries. Last year they amounted to about 850,000 tonnes.

The state-owned line has been involved in some 54 sailings through the ANZECs consortium in the British and European trade.

There has been support from local and Japanese companies for trade along the Pacific rim and only a period of sustained operations will prove the worth of the 12 per cent share (increasing gradually to 15) it has negotiated with other operators.

The coming year may also demand a greater response by the line to examine a service to Hong Kong, Taiwan and the Philippines, following recent representations from New Zealand exporters wanting to trade in the area.

The downturn of the West Indies trade may even mean the relocation of the New Zealand Caribbean into the South East.

The forthcoming visit of the president of the Mexican National Line and recent discussion on joint-venture possibilities into the Arabian Gulf are other areas on which the corporation might settle.

The corporation is also known to have been active on energy fronts, following calls by the maritime unions for at least one 100,000 tonne crude oil tanker and a proposal for a specially built LPG carrier to service coastal installations for the Liquefied Gas consortium.

Successful negotiations for the export of New Zealand coal to Fiji, Japan and Korea will almost certainly mean corporation overtures to the Mines Division.

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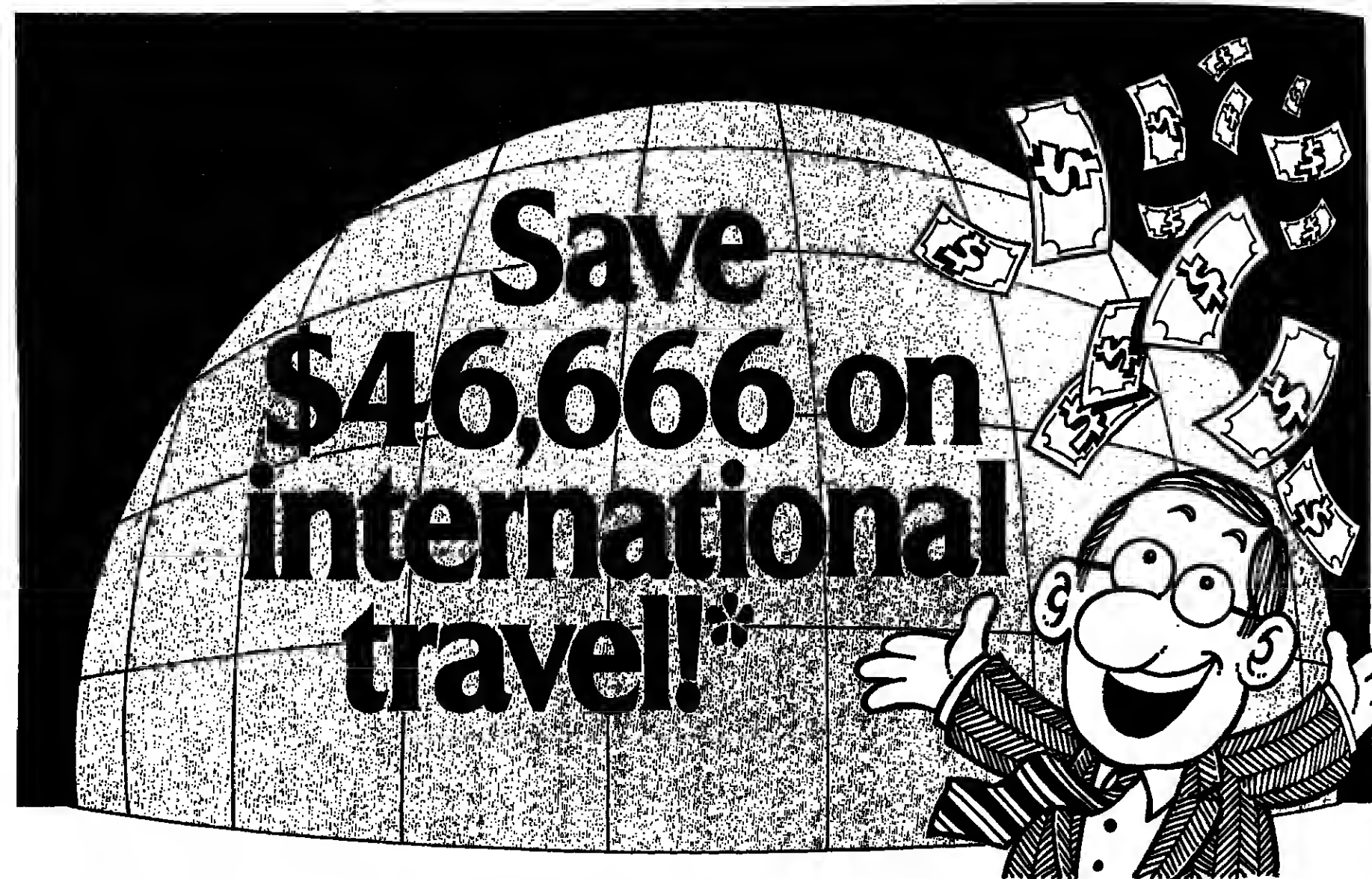


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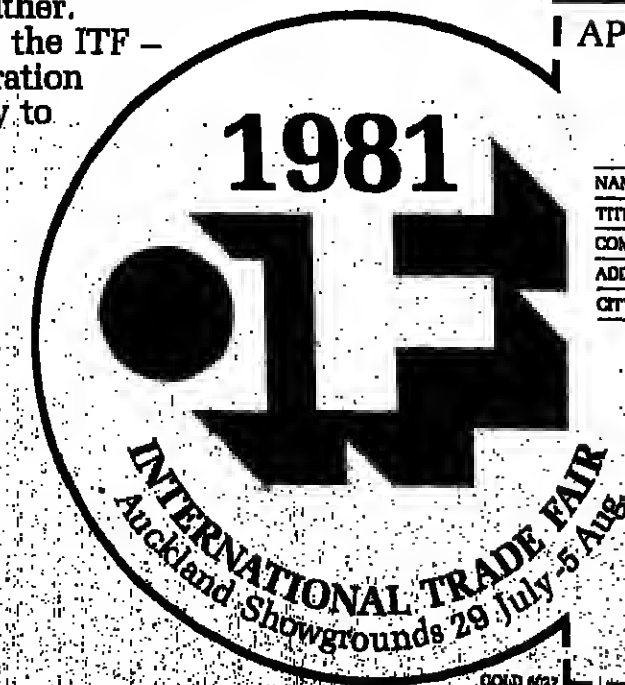
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Friday	31 July 1981	1.00 p.m. - 7.00 p.m.
Monday	3 August 1981	1.00 p.m. - 7.00 p.m.
Tuesday	4 August 1981	1.00 p.m. - 9.00 p.m.
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New Laser 'zaps' local Ford component manufacture

by Allan Parker

THE Ford Motor Company is not renewing parts supply contracts with local component manufacturers, the result of its developing the new "world car" model, the Laser.

Lost business is estimated at up to \$5 million a year for the hard-pressed foundry industry, already facing a business downturn.

And exports worth millions of dollars a year will be lost - most of the component parts were used to build transmissions at the company's Wiri plant and were shipped to Australia for the Cortina and Escort models.

The Laser, a Japanese-designed model with front-wheel drive, is intended to replace the Escort.

But transmissions suitable for the Cortina and Escort do not fit the Laser, and the specially-negotiated Ford deal to supply its Australian operation has ceased.

So, too, have the supply contracts with the New Zealand component manufacturers.

At least three companies have lost their contracts. All describe the lost business as "significant".

The other giant United States car maker, General Motors, is introducing its own version of the "world car".

Under the concept, parts for a common model are made in various countries and shipped to another country where they are assembled for distribution as CKD kits or CBU units to a regional grouping of nations.

Ford and GM hope the savings in design, tooling and assembly operations will enable them to counter the growing Japanese dominance in the international car industry.

Ford has already begun making aluminium wheels at its Wiri plant for shipment to assembly operations overseas.

The Government is trying to woo the company into basing another "world car" component industry on the increased aluminium output from the extended Comalco smelter or the proposed South Pacific Aluminium plant at Aramoana.

Such a commitment by Ford would show smelter critics that some downstream industry would follow the increased output.

But motor industry sources do not believe Ford will make

such a multi-million dollar investment commitment while the industry faces a major probe by the Industries Development Commission, due to begin soon and be completed next year, and unless it can get long-term political assurances about supply, pricing and trade-offs that would help other plans.

Trade unions and New Zealand-owned interests in the car industry have consistently expressed fears that the "world car" will generate unemployment by making redundant local assembly and associated supply industries.

The new Ford move will reinforce those fears.

The Wiri transmission factory was established in the early 1970s as part of a Nafta 3:7 deal between the Ford operations in both countries.

As part of the deal, Ford was

given a "holiday" from inclusion in the system of mandatory deletions which CKD importers exclude from their car kits. These mandatory deletions are then supplied to assemblies by the local component manufacturing industry.

The "holiday" allowed Ford to go elsewhere for components for its car assembly that would ordinarily be part of the mandatory deletion list.

The "holiday" was renewable annually, but in 1978, pressure from component manufacturers resulted in the ending of the agreement by the Government, putting Ford back on to the ground rules affecting other assemblies.

The transmission assembly in Wiri set up under the 3:7 agreement is expected to be phased out by August. One industry source estimated the sale of the transmission to Australia

was worth about \$8 million a year.

The Wiri plant however, will remain operating, producing aluminium wheels for export.

NBR understands Ford tried to get a similar 3:7 agreement to supply its Australian operation with the products, but was turned down by the Australian Government because of excess capacity within the Australian component industry.

So the company is believed to be supplying Australia over the tariff price as well as exporting to other Ford operations.

Meanwhile, the transmission component suppliers who have not had their contracts renewed are trying to locate new business.

But outside the Government, the car industry is the only customer that can provide volume production work for the foundry operators.

The companies spoken to by NBR appear to have accepted the Ford move as a logical commercial decision. But, as one commented: "We are very disappointed, of course."

While not a majority proportion of their foundry business, the Ford component manufacture was significant. One of the companies said it was as high as 30 per cent at one stage.

Replacement of that business, the companies say, will be difficult. One company spokesman suggested the Government could assist by putting more items on the list of mandatory deletions to replace the lost volume production.

But he recognised that such a move would run counter to current Government policy aimed at freeing up the New Zealand market.

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Matter of ethics, not red faces

IN Klaus Sorensen's article "FCL embarrassed by premature sellout to PPCS" (NBR, May 18) he reports certain comments which imply Fletcher Challenge incompetence, without mentioning the fundamental question of ethics.

The funds controlled by Broadbank Nominees are managed on behalf of the trustees of various superannuation funds, by what is effectively a Trust Department within Broadbank Corporation Limited. The investment of these funds is made in the best interests of the beneficiaries rather than in a manner which simply satisfies the Fletcher Challenge group's own aspirations.

The reverse situation also applies in that the trust funds do not have access to "insider knowledge". Mr Jenkinson of the PPCS could have been legitimately "astonished" if, through "insider knowledge", Broadbank Nominees had waited for the Fletcher Challenge bid of \$4.05 per share, or if the funds had been influenced by Fletcher Challenge not to sell to PPCS. (It is worth noting that insider trading is an offence in most overseas markets.)

As it was, the trust funds sold close to half their shares to the PPCS and most of the balance to the mystery bidder's broker who was subsequently revealed to be acting for Fletcher Challenge.

As a group, Fletcher Challenge need feel no embarrassment at these actions, unless ethics are no longer to be valued. It is the essence of investment management that independence and integrity be maintained at all times, as was the case in this instance.

C G Perrin
General Manager
Broadbank Corporation
Limited

Untrue, unfair to Values

I WAS amazed to see the amount of space you were prepared to allocate to Colin James' comments on the Values Party conference (NBR, April 27). As James points out, "there is not too much big-V Values visibility to the voters" these days.

Having gone to the trouble of covering this exercise in Lilliputian politics, however, it would have been nice if the various opinions expressed and predictions made had been related to reality.

Firstly, my seven-year close association with the Values Party clearly reveal that whatever faults Values people may have they are not excessive purity, smugness or a belief that they are ahead of their time. On the contrary, Values people are convinced that their analyses of the current situation are immediately relevant and that their policy responses are needed now.

Of course, they are certain of the correctness of the position they have adopted, but to suggest that this is tantamount to smugness and excessive purity is snide, unfair and untrue.

Secondly, to quote Milton Friedman as an authority on political marketing must be some sort of a joke. Consumer-

orientated politics is the preserve of populist political parties such as Social Credit and to some extent Labour. It is not the practice of the establishment, nor is it the practice of political movements committed to advocating profound political, economic and social change.

In other words, the Values Party now tends to see its first priority as political education both within its own depleted ranks and within the greater community. It must start again at the beginning and concentrate on working to create the climate of opinion necessary to sustain an eventual concerted move to implement through the exercise of political power, the socio-economic and political changes it believes are needed for survival.

That it might not succeed because of its now very small active membership does not mean that its new generation of leaders have got their priorities wrong.

Finally, your correspondent's statement that the Values people who departed from the scene in 1979 were searching for the moss hen through doctrinaire socialism is surely nonsense.

As the author of one of the papers presented to and adopted by the 1979 Values Conference, I find it difficult to accept your correspondent is an ill-informed as that statement would indicate.

My paper was based on the premise that capitalist economies are inherently exploitative, socially divisive and disruptive, egocentric and in the long-term self-destructive. I went on to emphasise that such societies are characterised by environmental spoliation, the irrational utilisation of finite resources, class conflict and threatened by periodic, social and international crises.

Consequently I recommended that the Values Party should recognise that a socialist response to current problems was called for but that that response should be a libertarian socialist response in the tradition of Noam Chomsky. Certainly the paper's recommendations accepted by the conference could in no way be described as doctrinaire socialism.

Ironically the Values Party decline has been due in the main to differences over personalities and style rather than substance and here is to be found its greatest tragedy.

John A Stewart
Christchurch

Making credit available

EVEN if one does not know Minton's *Capital and Wages* or anything about a Mr Frederic Hill's autobiography written last century, the following quotations from Macleod's *Theory of Credit* (second edition, 1894), are nonetheless interesting today in view of the issues at stake in the impending elections.

First, Macleod gives this quotation from Minton: "The States of Guernsey, having determined to build a meat market, voted 4000 pounds to defray the cost. Instead of borrowing this sum at 5 per cent interest, the governor issued 4000 cardboard tickets on which was inscribed 'Guernsey Meat Market Notes'; they represented one pound each, and were legal currency by

universal consent. With these notes they paid the contractor; and with them he paid his workmen, and all who supplied them with materials. They were freely taken by the tradesmen for goods; by landlords for rent; by the authorities for taxes. In due season the market was completed.

"The butchers' stalls, with some public rooms over them, were let for an annual rent of 400 pounds. At the expiration of the first year of this tenancy, the States called in the first batch of notes, numbered one to 400, and with the 400 pounds of real money received for rent, redeemed the 400 pounds of representative money expressed by the 'Meat Market Notes.' At the end of 10 years all the notes were redeemed through the application of the 10 years' rental. In this way they built a very good market house, without paying any interest on borrowed money, and without injuring anybody.

"These notes are sent out as the work proceeds, and as money is wanted. When the undertaking is completed, and begins to yield an income, the notes are brought in again and

"I am informed that one of the first docks constructed on the banks of the Mersey in Liverpool was made in the same manner. Labour notes were issued which circulated all through the town, as money does, and they were redeemed out of the dock dues of the first few years."

The second quotation, from Frederic Hill's autobiography, is: "I may mention the abundance of paper money in Guernsey as a great cause of prosperity. The paper money is issued by the Government of the island (sic), and in the following way. When any great undertaking has been determined on by the States (as the representatives of the people are called), such for instance as the opening of new roads, there is immediately an issue of one pound notes.

"The notes are sent out as the work proceeds, and as money is wanted. When the undertaking is completed, and begins to yield an income, the notes are brought in again and

new undertakings are commenced. The notes are not payable on demand: indeed the Government has not even an office at which they can be presented. Nevertheless the notes are never refused.

"The people find by experience that their representatives do not issue the notes in greater abundance than the demand for them justifies, and consequently, no depreciation in their value is to be feared. Moreover, the purposes for which the notes are issued are of advantage to every man in the island, so that everyone looks upon them as coming from a bank in which he is a partner. Here, then, in the little island of Guernsey, we have, perhaps, the only instance in the world of a really national bank: a bank in which the whole property of the state is the security, and the profit of which is shared by the people at large. By means of this healthy currency, undertakings of great magnitude (considering the size of the island), have been

executed during the last 50 years."

A serious problem in New Zealand today is that credit is not readily available to "working men". By and large, the only capital is their labour's sell. Instead of allowing the generous credit on the strength of a prospective 35 or 40 per cent earnings, we find them repelled to pay such big amounts in rent and interest expenses to work, that they cannot amass the capital necessary for them to get a balance on credit to buy home.

When suggestions are made for easy credit, the variable response is, "Who will the money come from?" On the strength of this question, credit is denied, but one asks where the money came from to pay the debt? people to be inactive. Such credit available to have not done that to pay wages, nothing.

CTM
Papers

The uncluttered view of the overseas observer

by Colin James

THERE are times when distance helps. One of those may well be in predicting election results.

I have called each of the past few elections correctly in the sense of picking who would have the most seats in Parliament. But it was in 1975, when I was on the other side of the world, that I had least trouble and doubt picking the winner. From that distance I could see only the broad sweep. Up close one is besieged by confusing detail.

So I shall be interested to read the forthcoming prediction in the *Australian Bulletin* by Malcolm McKerras, the Tasmanian political scientist who devised the election pendulum and who earlier this month took a swing through the country.

I quote with interest from a London *Financial Times* article of a couple of months ago by Colin Chapman, the paper's Australian-based stringer:

"One year ago, voters seemed virtually certain to turn the ruling National Party out of office in the next elections. . . Mr Muldoon can now look forward to a third term with some confidence."

The Prime Minister has certainly been behaving as if he has that confidence: derisively and delightfully composing the obituary of his old enemy, the Labour Party.

And the opinion polls continue to lend support to his confidence.

The May 2 Heylen Poll put him up another point to 38 per cent in the prime ministerial preference stakes — his highest since the 1978 election. And that was after a week in which

we skilled observers thought he had got himself badly offside over the Erebus report.

The poll put National up to its highest point since the election — 42 per cent (Labour up, too, by 1 per cent to 32.3 per cent and Social Credit down to 25 per cent).

I said here a couple of weeks back I would be surprised if that happened and I am. One might have expected that result the Saturday after the Federation of Labour conference, but not before.

So what is going on?

Perhaps most significant is that the National Party is feeling better about itself than it has felt since the conference last year (about the time, incidentally, the Prime Minister's preference rating reached its previous post-1978 Heylen peak of 36 per cent).

The threatened departures in

the wake of the elevation of Duncan MacIntyre to Deputy Prime Minister have not occurred — at least at the visible level of branch committee and above.

On the contrary, if the reaction of delegates to the Wellington divisional conference earlier this month is anything to go by (and it usually is), the party seems to be getting over its jitters about the Marginal Lands Board affair and according him once again something of the warmth it used to.

The party has always had a special soft spot for the dignity, common sense, good humour and approachability of the man and now seems again so willing (and free enough) to indulge it.

There has been a change, too, in voter support.

Even among traditional supporters there has been and still

is a considerable amount of dissatisfaction with the shape and policies of the Government. Four or five months ago that was coming through to party canvassers as: "National will be the Government, but I am not going to vote for you."

But two things have happened since then. The Government for once was seen publicly to be standing up to the unions over the Mangere picketing issue. Many of the harshest supporter-critics of the Government have been honest about what they see as its failure to curb union excesses.

The second seems to have been a changing perception of Social Credit's potential post-election role.

Till recently disgruntled Nationalists tended to see Social Credit as a harmless repository for protest.

But its continued success in opinion polls, plus a tendency among Social Crediters to let the brakes off their expectations (Beetham is now hinting publicly at replacing Labour as the official Opposition) may have helped disgruntled Nats to see it as a threat to their own preferred party's security.

So more National canvassers are reporting that disgruntled supporters are beginning to fall into line. That may account for the otherwise paradoxical rise of National and fall of Social Credit in the May 2 poll.

Some supporting evidence has also emerged at two "monite-building" garden parties recently in the Raikitekei (Beetham's territory) and the Waitara (potentially at risk to Labour) seats, at which National organisers are claiming turnouts of more than 1000.

The cranking and pedalling of the election machine is also warming up.

But it is still uneven, as the refusal of the Dunedin organisation to run a \$100-a-plate Jones dinner indicates (there may now be only 30 to 35, instead of the originally targeted 45).

Some inside the party caution that many of the cranks and pedallers are going through the motions.

One should not read too much into that, since even in low gear the National machine once in motion develops a fair momentum.

And there is evidence of real enthusiasm among some of the newer campaign managers.

But the cautioners may have a point. The Wellington divisional conference had a settled and calm atmosphere about it. No undertow of complaint or criticism as in the past two years; but also no fire in the belly (as Labour managed at times at its conference).

The Auckland divisional conference has been reported to me as "laid back" with that same settled air. So, from reports, was Waikato. How the two South Island conferences this weekend just past went I could not know at the time of writing.

There seemed to be a mutual feeling out of ground between the party and the Prime Minister. At Wellington — and, I am told, Auckland and Waikato — he was received good-naturedly, probably because he was more good-natured himself and concentrated on positive matters, the growth strategy in particular, and spent little time knocking enemies real or imagined.

He was also by and large in tandem with president George Chapman. There is at last, if



Duncan MacIntyre . . . back in the warm spot.

not harmonious unity, at least a sense of common direction.

It is tempting to go with the tide, to wheel out from the garage where it has lain rusting for 18 months, my "insider" that National will win. But there is something indefinably brittle about National's current quiet rebuilding.

For instance, organisation sceptics are surprised that the Prime Minister's new almost-moderate, almost-reasonable mood has lasted as long as it has.

In this light, consider the Prime Minister's public meeting in Lower Hutt on the night the Labour Party conference ended. He issued instructions for the meeting only 10 days earlier.

Yet it was not for want of public platforms — two party conferences were due that weekend.

He seems to have doggedly decided the party shall see him only in the positive mould. And so, for an escape valve for negativity, he went outside the party.

At Lower Hutt, after a 20-minute genuflection to the growth strategy and a bit about his "social" legislation (against drug traffickers and gangs), he got stuck into the Labour Party (20 minutes on the cost of its promises and the same amount of communist smearing) — but in a curiously low-key tone.

It was a cheerless speech, judiciously kept away from the party. At the end of the speech, there was a standing ovation of one from an audience which far from filled the hall.

The question hanging in the air is how long will he settle for that sort of response — in other words, how long he will resist the temptation to light up real fireworks?

There might be a clue in his latest book, *My Way*, but since it was launched on Thursday and I was not sent an advance copy (the publishers are un-blessed; they did not send me *The Kirk Years* either), I could not know at the time of writing.

We are six months out from the election and Parliament is about to reconvene in a mood that promises the keenest and most uncompromising contests since 1975.

There will be escape valves aplenty there — but it will also generate a lot of heat. The *Financial Times* may have got it right and we should hesitate to close our eyes to the wisdom of the uncluttered outsider; but heat and brittleness do not go well together — and Labour is not yet dead.

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AIR New Zealand's DC8 freighter service may not get off the ground.

Discussions were under way at Air New Zealand House last week over whether to proceed with the plan to run an all-freight service between the United States and New Zealand and other destinations. An announcement would be made soon, said corporate and public affairs director Craig Saxton — "right now I would have immense difficulty in answering any questions about it".

An Air New Zealand DC8 was flown to Tulsa, Oklahoma, earlier this year for a \$1.5 million conversion — strengthening the floor and altering fuselage access. It was due to be picked up last week for delivery back to Auckland, but it is still in Oklahoma. Saxton said the problem was economic. "The economics have deteriorated since the plan was first mooted," he said. Some airline staff are

DC8 freighter plan grounded

rumoured to be bitter about the lack of forward planning on the project.

If Air New Zealand decides that the idea must be scrapped, the problem will be what to do with the plane. There is a glut of ageing first-generation jets on the second-hand aircraft market.

The engines of the DC8 series 54 aircraft are a further complication. Environmental Protection Agency rules pre-

vented it from flying in the United States without substantial anti-pollution modifications after 1984. This would further reduce interest from potential American buyers.

Air New Zealand plans to get into pure freight but has been dogged by misfortune. Conversion of a passenger DC8 several years ago was stopped at an early stage when its DC10s were grounded after the Chicago crash because it need-

ed the passenger capacity.

Other airline sources say that the idea won't work — the DC8 cannot carry enough to make a profit because fuel costs have climbed so high.

Arrival of the company's 747s will greatly increase the airline's freight capacity, another factor in decision-making.

Some Air New Zealand staff say the company should have moved positively into freight

years ago, but it has now "moved the bus".

Meanwhile Pan Am is doing well from air freight, which accounts for 15 to 20 per cent of its revenue out of New Zealand. Apart from freight capacity on its three weekly passenger flights, Pan Am has a weekly all-freight 747 service.

All airlines are working their freight capacity to the hilt with the onset of the kiwifruit season. Japan Airlines has run two special kiwifruit DC8 charters.

Spare seats likely on Air NZ American services

AIR New Zealand will have at least 500 additional seats available each week on services between New Zealand and North America after it takes possession of its first three 747s next month, according to the advance schedules.

The three 747s and six DC10s in the airline's fleet represent enormous overcapacity and could lead to a fare war in the region.

One strong rumour is that

the company will announce soon the beginning of services through Los Angeles or San Francisco to London. This would help increase aircraft utilisation. It is understood the decision has already been made to add San Francisco to the North American destinations.

The overcapacity problem is largely due to Air New Zealand's inability to get rid of its DC10s on a world second-hand aircraft market which is

heavily in buyers' favour.

It is the airline's blue riband North American route which will feel the brunt of this overcapacity. At present the route is serviced by 12 DC10s each week and this number of frequencies has given Air New Zealand a commercial advantage. This represents 3240 seats a week.

But from the end of July, a daily 747 service is scheduled, with three DC10 flights. This

represents 3778 seats — a 17 per cent increase. And still, with the current size of its fleet, the airline will have spare capacity.

Pan Am has also announced that it will route a fourth jumbo each week out of Australia through New Zealand, adding further to the seats available by around 150.

Subject to Government approval Pan Am's new service will begin on August 3, and the

new flight, from Auckland to Los Angeles, will originate in Sydney every Monday. Pan Am has other US flights on Sunday, Wednesday and Friday.

Meanwhile, Continental Airlines has already cut the first-class fare from the United States to New Zealand by about 40 per cent, a fare which has been matched by Pan Am on its jumbos through Hawaii but not on its 747SP which provides the only non-stop service south-bound from the American mainland.

A fare war seems likely to develop from the overcapacity — with an increase in discounting already rife both here and in Australia.

As competition developed, the pressure on Air New Zealand to use 747s for all frequencies on the money-making

North American route will increase and even more seats could come on stream.

The travel trade newsletter, *Travelgram*, estimates that New Zealand would be put up to 1000 extra seats on the route from later this year. It says three through services London could help mop up some of the airline's excess capacity.

Air New Zealand has a long-range Boeing 747-200 which the 747 manufacturer has guaranteed to help sell the DC10s, but on the market at the moment the chances of an adequate price or financially acceptable leasing arrangements are slim.

If the DC10s are still around next year when two more DC8s are delivered, Air New Zealand's fleet surplus will be catastrophic.

Customs crackdown

CUSTOMS officers have been cracking down on Air New Zealand crew.

Their searches have not only been uncovering undeclared or prohibited goods, but also goods pilfered from the aircraft by flight crews.

Airline policy is to dismiss staff caught smuggling or pilfering.

Customs can prosecute only for smuggling. When customs officers find pilfered goods, they can notify the airline, which can then prosecute for theft.

Customs officers in recent weeks have been involved in:

● Charging a senior Air New Zealand staffer with illegal importation of heroin and morphine, allegedly worth between

\$500,000 and \$1 million. The court ordered suppression of the name of the man, who is facing the charge.

● Recovery of a counterfeit Customs stamp. Officers are investigating how the stamp might have been used in a smuggling operation involving airline staff.

● The apprehending of a senior cabin services employee with three tins of legal, counterfeit cigarettes, and four bottles of liquor from duty-free stores. Customs alerted Air New Zealand and the man was sacked.


● Investigations into a smuggling operation bringing in diamonds from Hong Kong and allegedly involving airline staff.

Marac Merchant Banking Group

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	30 DAYS	90 DAYS	180 DAYS
LOCAL FUNDS - Commercial			
91 day selling rate: % p.a.	13.50	14.50	15.50
FOREIGN FUNDS			
Eurodollar: % p.a.	18.00	19.50	21.00
CURRENCY			
US dollars (buy/sell)			
Buy: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871
Sell: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871
New Zealand dollar			
Buy: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871
Sell: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871
Australian dollar			
Buy: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871
Sell: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871
Hong Kong dollar			
Buy: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871
Sell: 0.871/0.871	0.871/0.871	0.871/0.871	0.871/0.871

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Small investors profit from institutions' cheer

by Klaus Sorensen

THE sharemarket's performance in the last year has put a gleam in the eyes of the institutional investment managers. And that's good news for the ordinary investor.

Traditionally the market has been able to rely on a certain amount of investment support from the institutions but returns in the past year seem to have convinced them equities are going to be No 1 for the next couple of years.

The big life offices are in the enviable position of having such a large and continuous income that they are often hard pressed to invest it.

A flat sharemarket and depressed property market, not to mention unpredictable fixed interest rates in the 1970s, meant the institutions often found it difficult to invest in these areas without causing distortions — by virtue of the size of their intended investment — and yields were seldom up to scratch.

But the sharemarket's growth in the last year has solved a lot of these problems.

Though yields have fallen with the market rise — and interest rates have continued to remain firm — the institutions find they are able to make up more than enough ground through capital gains from share trading.

This particularly applies to the resurgence of the life offices' superannuation fund activities and also the investment-linked super programmes where performance is all the more important.

But there is still a serious scrip shortage and the problem of too much money chasing too few shares remains.

But the mergers of Fletcher Challenge and Tasman and the two insurance companies has eased the situation with a dramatic increase in the number of shares available in each case.

The institutions have also moved back to the "majors" where more shares are available after having flirted with the smaller export-oriented growth stocks for a couple of years.

The forestry stocks are back in fashion because they are promoting the growth which they didn't seem capable of in the early 1970s.

But as the major development projects loom, with their attendant equity requirements, the institutions are also having to reconsider their investment policies.

The Prime Minister felt the need to give the life offices a better last year when, following the Fletcher-Charter Holt takeover debacle, he warned them that they should not depart from the traditional "prudent" investment roles.

And he fired a warning shot across their bows to the form of their one per cent increase in the life offices public sector investment requirements.

But that puts the institutions in a dilemma, they have to perform to the expectations of policyholders, and achieve the even higher expectations of members of their investment-linked super funds.

And that can't be achieved through passive investment. One answer is to buy, and sell, bigger parcels of shares, more often.

National Mutual took the plunge last year with the decision to pick up the 17 per cent Carter Holt stake previously

held by New Zealand United Corp and Jarden's nominee company.

In Australia it is not uncommon for the institutions to buy shareholdings which could provide effective control of a company, and to seek board representation as well.

The current scrip shortage has been exacerbated both by the recent spate of takeovers, and by the trend towards larger shareholdings of the 15 to 20 per cent variety.

The Wattle-Goodman share swaps last year reduced the number of shares available to other investors, and indirectly pushed prices up.

The second part of Muldoon's criticism of the life offices last year was that they should direct investment into more productive areas, rather than into existing shares where they merely pushed prices up.

But it could be argued that a greater degree of institutional investment in the market will have advantages for both companies and ordinary shareholders.

The more shares the institutions buy (and the larger the parcels) the worse the scrip shortage and the higher prices go.

This, in turn, lowers yields and enables companies to borrow money more cheaply on the sharemarket by making share issues at a greater premium, and therefore at a lower effective interest rate.

And the higher the premium companies can charge in a cash issue the bigger the share premium reserve, so the company's ability to pay tax free dividends to shareholders is improved.

Because the institutions do not want tax free dividend

payments the tax free dividend capacity of companies would stretch further as the institution's shareholdings grew in proportion to that of ordinary shareholders.

And the more cash issues made and the more institutional support for those issues, the greater the institution's contribution to productive investment.

And so on, and so on.

But because the National Mutual has discarded the traditional institutional policy of holding small (2 to 6 per cent) investments in a large range of companies, does this mean the other institutions will follow?

The answer is almost certainly yes, but the institutions will be wary of causing distortions to the market, and even more wary of being seen to be too aggressive.

The AMP Society released

its December 31, 1980 annual report and investment portfolio details last week, and NBR took the opportunity to check on the investment policy of the sharemarket's largest customer.

The AMP probably has the most widely spread portfolio and can therefore expect to match any rise that the indices produce.

But while he admits the AMP could be accused of simply "buying the index", investment manager Grahame Hambling is confident that if a suitable opportunity arose for the AMP to buy a larger than normal stake in a company (say 20 per cent) his board of directors would give their approval.

But Hambling adds a number of riders:

An investment of that size would probably require board representation and above all, the investment should have the

blessing of the directors of the company concerned.

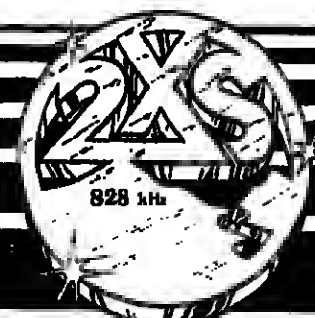
And from that point of view the AMP would be most likely to buy an existing shareholding (as the National Mutual did with Carter Holt) rather than trying to assemble a parcel through a first-come-first-served bid on the market.

But in the meantime, the AMP has done so well in the last year it is looking forward to the 1981 results with relish.

Hambling said last week his society was pretty convinced "equities are still the thing". Of total investments, some 40 per cent is government-directed — 30 per cent to public sector securities and 10 per cent to housing and finance — and of the remainder some 25 to 30 per cent goes into shares.

Continued on Page 14

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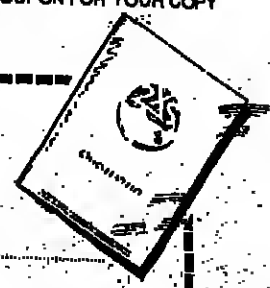
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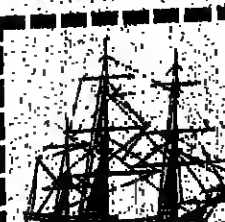
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Petrocorp woos oil explorers to club together

by Warren Berryman

THE state-owned Petrocorp Exploration Ltd is attempting to get the licence-holders in the Government's latest \$500 million oil exploration programme to club together, to cut costs.

Petrocorp Exploration, a major partner in most of the new licence areas, has been telephoning the new concession-holders asking for co-operation in a bid to cut exploration costs.

A major cost in running seismic surveys is mobilisation and demobilisation of a seismic survey ship.

If agreement can be reached among the various licence-holders, one ship could run seismic survey lines across several areas.

The data could be cut up and handed to the various licence-holders.

This would save money on shore-based navigation systems.

Survey accuracy depends on three shore-based high-frequency radio transmitters sending out signals to be picked up and triangulated by the ship's computer.

The margin of error, even hundreds of kilometres out to sea, is only about 25 metres.

Sharing ship and on-shore costs would reduce exploration costs considerably.

Whether such a deal can be struck between Petrocorp and private explorers depends on

the privates trusting a state corporation with their expensive data.

But the explorers may well appreciate the possibility of being able to reduce costs on the preparatory work on their licences because of the massive drilling costs involved.

While seismic work costs about \$800 a line kilometre the drill holes cost from \$15 to \$20 million each, so it is unlikely that any of the new oil licences would be able to go it alone.

One option is to find joint-venturers and spread the financial burden. Another is to take the exploration to the drilling stage and then farm the prospect out to an oil major.

Or the new explorers can boost their funds with a public float.

NBR spoke to Otter Director Tony Radford earlier last week about his company's intentions.

Otter owns Pan Pacific, which in turn controls Stewart,

which landed area 112 philosophy was to spread risk over as many oil exploration plays as possible.

Pan Pacific generally with joint ventures during the exploration phase, then the prospect out to a major when it comes time to develop an oil field.

Stewart Petroleum is a bid for further licences in the Great South Basin.

Stewart and Beaver also area 110 further offshore.

In licence area 113, Mineral Resources has a 14.4 per cent interest through to development and 11.8 per cent thereafter. Petrocorp has a 6 per cent interest.

In area 110, Mineral Resources has a 24 per cent interest.

Stewart Petroleum, a newly formed \$100,000 capital company, is owned 60 per cent by Pan Pacific Petroleum Ltd of Sydney and 30 per cent by Mineral Resources. It is remaining 10 per cent shareholding is held by New Zealanders and an Australian.

Pan Pacific, a \$42.7 million paid-up capital company, taken over all the Australian exploration interests of Otter Exploration NL of Sydney.

Otter owns 36 per cent of Pan Pacific and 35 per cent of Mineral Resources.

Otter directors and shareholders, Radford, and David Kennedy, own 20.4 Australia Ltd.

Area 122 went to Cue Consolidated NL, Oil and Mineral Quest NL, and Charter Oil & Gas Pty Ltd.

Cue Consolidated is a newly formed New Zealand company also having interests in Central Otago lignite exploration.

Shares in Wellington-based Cue Consolidated are held by seven nominee shareholders: Cue Minerals NL of Melbourne.

From Page 1

One source close to Stewart Petroleum said he would be surprised to see a race starting but "if you want to be in exploration in New Zealand long-term, it's a question of being first, rather than last."

A broker said he thought the floats were "inevitable" and placed a three to six-week time frame on the Cue and Stewart floats.

He said he believed the "penny-dreadful" had already started to pour into the company — "they're not interested in the prospects; the first question they ask is, 'how much money can we raise?'"

But while investors will need to be wary of some of the more omeo geologist told NBR he believed Tricent was taking a cautious approach to floating.

"They're just not interested in floating until they are well down the track, even though they might be under a bit of pressure from their partners (junior partners). They want to get the seismic and drilling programmes well under way first."

He said 114 was undoubtedly the top prospect. "It's a prime block — they are virtually half-way towards a viable oil field from the word go."

Disclosure of interest: Peter Soranzen has an interest in Mineral Resources shares. The writers have no interest in any of the other companies mentioned specifically in this article.

May 25, 1981

Opportunities match frustrations in US business

by Greeme J Davieon

TWO New Zealanders have joined America's claims to be the land of business opportunity — and won well.

In five years, car dealers Tony Shelly, 43, and Neville Crichton, 35, have turned an illing car dealership in Honolulu into the biggest volume Mazda outlet in the United States.

They have recently added one of Hawaii's prestige import car dealerships to their growing empire, bringing their total sales in the last year to well over \$360 million.

The burgeoning Hawaiian empire of Shelly Motors Inc and its holding company, Shelton Corporation, with its state-wide Mazda distributorship, several dealerships, used car lots, offices, and warehouses, barely made it off the ground.

"I had heard that the competition was going to be tough here," Shelly reminisced, "and that about 90 per cent of American companies fold within a year of registration. I was just lucky not to be among them."

When Shelly took over the Hawaiian Mazda distributorship in 1975, Americans had just started to become fuel-conscious, and there was little demand for the comparatively expensive, gas-guzzling, rotary-engine Japanese import.

Within the first nine months of operation, Shelly claims, he lost two-thirds of his capital and managed to sell only 350 cars. The turn-around came when Mazda introduced its fuel-efficient piston models, especially the GLC and more recently the very popular RX7 sports car.

Experiences gained from the Shelly family's Wellington car business, along with the

family's previous involvement in the Hawaiian car industry, helped to prepare Tony Shelly for his present venture.

The injection of Neville Crichton's capital and the formation of a partnership between the two, after Crichton sold his used car operation in New Zealand, also helped to pull the floundering Hawaiian venture out of the mire.

The biggest advantage in setting up in business in the United States, Shelly believes, is the ability to borrow large sums from the banks.

"The American financial institutions, and especially the banks," he says, "are not as restrained in their lending practices as they are in New Zealand. Banks in the United States are much more competitive, and will make their lending decisions on purely commercial grounds."

"You can show them your forecasts, plans, and previous experience, and they will make their decisions on what they consider the risks and your prospects to be."

"If they believe in you, then they could give you as much as \$8 or \$10 for every dollar you have raised, compared with the New Zealand banks where there is little competition and you could be lucky to get 80 cents for every dollar of capital."

It would be more difficult to repeat the Shelly Motors Hawaiian story in 1981. Money is now in short supply, and with interest rates in the United States running as high as 20 per cent, few could afford to service large loans.

Any advantage that might be gained from the availability of credit is offset by the costs and time involved in setting up in business, Shelly found.

"Contrary to what many New Zealand business people

think," Shelly claims, "there is a lot more red tape here than in New Zealand. Americans might pay lip service to the idea of free enterprise, but in practice there is a myriad of bureaucratic requirements."

"You have to worry about local, state, and federal regulations. It's a jungle! The bureaucratic machinery is complex and time-consuming," he says.

"It can take several years before you can open the doors for business. You can't afford to make a mistake, as it can set you back several months, so you end up paying colossal fees, often in excess of \$100 an hour, for legal and other experts to guide you as smoothly as possible through the maze."

The complexity of the bureaucracy, Shelly maintains, can also be seen in the tax requirements.

"As well as capital gains," he says, "there are payroll taxes, state taxes (6 1/2 per cent in Hawaii), and a progressive federal tax on profits. Overall, the tax advantages would be slightly better in the United States than in New Zealand."

"American taxes can be high," Shelly adds, "but the levels at which they are applied are also higher. A corporation would need to be making a profit of around \$500,000 to \$600,000 a year before it would be paying 50 per cent in taxes."

He also felt that federal tax concessions for companies employing certain groups of employees (such as handicapped veterans), employee retirement, and profit-sharing schemes, are worthwhile incentives for both the company and the employee.

While it is not required by law, most firms fund health

and dental insurance for their employees.

"As there is no socialised medicine in the United States," Shelly says, "most corporations find that they have to pay about 4 1/2 per cent of their payroll to cover their employees for around 80 per cent of their health costs."

"My employees are non-union but they still expect this," he adds, "and if you don't have the insurance you would have to pay higher wages or else take poorer-quality staff."

When Shelly began his operations in Honolulu he was surprised at how reluctant his staff were to share in the decision-making process.

"I made some terrible mistakes at first," he says. "After I had made them I would turn to my department managers and ask them why they didn't warn me, or offer a point of view. They would just look at me with surprise, as if I was passing the buck," Shelly says.

"They would tell me that it was my business and my money on the line. It was up to me to give the orders and for them to carry them out."

"In New Zealand," he says, "my staff were not backward about discussing policy. They are not used to that here and it has taken me quite a while to get the staff involved in the decision-making."

Unlike most New Zealand companies, Shelly says, American companies tend to aim for lower profit margins and a fast turnover of stock. This usually means a lot more hard work, he says, but he believes that because there are few restrictions on the hours of operation, it can pay off.



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Analysing annual accounts: Optical Holdings

by Klaus Sorensen

OPTICAL Holdings Ltd shareholders should be praying for rain — and strong sunshine.

This is because a recovery from the company's profit downturn may depend on two new franchises — Christian Dior sunglasses and Knipps umbrellas — as much as anything else.

The company has suffered a continued, and potentially serious, erosion of operating profits in the past four financial years. In the December 31 1980 year, Optical's operating profits were almost invisible to the naked eye.

As reported, the company's net profit climbed slightly to \$173,000 from \$169,000 in 1979.

But the latest accounts show that, rather than achieving a degree of recovery, the com-

pany's trading position worsened quite markedly, and it was export tax credits which saved the day.

The report shows operating profits before tax fell from \$179,000 to \$92,000 but an export tax credit of \$81,000 (\$10,000 provision in 1979) reversed the situation, leaving the \$173,000 net profit.

In addition, extraordinary items of \$43,000 (due mainly to a Development Finance Corporation suspensory loan being turned into a grant) lifted total profits to \$216,000, compared with \$173,000 in 1979.

The sunglasses side of Optical's business is relatively seasonal. In 1979 by far the bulk of the company's profit was earned in the second half of the December financial year.

But the 1980 year saw a big first-half profit of \$105,000 (\$17,500 in the first half of

1979) and a fall in second-half profits from \$151,500 to \$68,000, including export tax credits.

The company has been quite frank in its disclosure for the latest year, and the sparse looking report is surprisingly informative.

The five-year review shows that while total sales increased from \$2.8 million in 1976 to \$6.1 million in 1980, pre-tax profits have steadily fallen.

The 1976 pre-tax of \$407,000 fell to \$245,000 in 1977, then to \$228,000, \$179,000 and finally \$92,000 in 1980.

Chairman J G Tuck says in his review the first half featured a 55 per cent increase in sales and a sixfold profit increase, but the second half produced "very disappointing" results.

"The depressed state of the New Zealand market during

the second half-year caused a substantial drop in profitability in that period."

Total sales were up 30.2 per cent with export sales rising 122 per cent. Domestic sales increased 18 per cent, after rising 46 per cent in the first half.

Tuck says domestic sales showed only a marginal increase in the second half and, although sunglasses sales were up on 1979 values, volume sales were down.

And to add to the problems, optometrists reported a 20 per cent decline in sight-testing volume during the second half. This was unexpected and adversely affected production and sales of spectacle frames, "particularly in the last quarter of the year," says Tuck.

Optical has three subsidiaries in Australia and Tuck says much new business was obtained in 1980, including contracts



Sunglasses... sales fell-off

for a range of sunglasses and spectacle frames.

But Optical's real problems lay in the manufacturing area. Tuck says that by the end of 1979 stocks of finished goods were at a very high level. While most of these stocks were sold during the 1980 year, "the need to reduce stocks combined with a fall-off in domestic demand during the second half-year resulted in the factory operating at below break-even point in the second half."

The Sydney subsidiaries increased sales 20 per cent, but after a good first half, sales declined to a marginal profit by the year's end. But unprofitable lines have been eliminated and overheads reduced, which the company hopes will restore profitability to "an acceptable level."

In total, the Australian companies contributed a \$6600 profit — compared with a \$20,000 loss in 1979.

Tuck also notes that group expenses increased by 26.5 per cent and that the bulk of this increase was attributable to a rise in interest costs of 85 per cent. This reflected the cost of holding high stocks of finished goods carried over from 1979.

But the company's inventory problems are not over. Tuck explains "high stocks of spectacle frames and sunglasses held at retail level resulted in our sales of those products for the first quarter to March 31 1981 being down on 1980", but he says this trend was budgeted for.

He says that for some time the company had been looking for a winter product to sell to pharmacy outlets. The company has found the answer in the Knipps brand of umbrellas, and a successful indent promotion for the umbrellas in August produced a "sell out" for March 1981 delivery.

As a result, total domestic sales for the first quarter of the current year were up 14 per cent, and sales are budgeted to continue their improvement.

The profit and loss account shows that while gross profit

rose 19.7 per cent, from \$1,986,000 to \$2,378,000, expenses were up 26.5 per cent from \$1,807,000 to \$2,340,000.

The main contribution to the increase was an 85 per cent rise in "other" interest charges from \$130,000 to \$240,000, though interest on bank loans was virtually stable as lease costs were down slightly.

Selling, distribution and administration costs appeared to get away on Optical, with 29.4 per cent increase from \$1,304,000 to \$1,695,000.

The balance sheet shows bank overdraft down from \$928,000 to \$814,000 by year end, while creditors and accruals were up from \$1,089,000 to \$1,145,000. Stocks were reduced from \$2,450,000 to \$1,217,000 while debtors and prepayments were up from \$711,000 to \$1,250,000.

Total secured loans were reduced from \$224,000 to \$92,000, largely because the port suspensory loan was turned into a grant (as noted in the company achieving a certain level of exports).

The portion of loans repayable within 12 months: up from \$56,000 to \$75,000 while the amount repayable within two years is down from \$57,000 to \$21,000. No loans are repayable past two years (compared with \$111,000 in 1979).

The current interest rate on secured loans is between 12.5 and 14.5 per cent, compared with a range of 10.5 to 13.5 per cent in 1979.

The note on stocks and materials were up slightly from \$524,000 to \$552,000, with progress was \$81,000 (\$31,000), finished goods at balance date were down from \$1,727,000 to \$1,495,000, goods in transit fell from \$168,000 to \$125,000.

The \$81,000 taxation outflow was arrived at after the 45 per cent tax provision on operating profits, of \$172,000, less export incentives and allowances of \$103,000, was under-provided in previous years of \$200,000. The extraordinary item of \$43,000 comprised the DFC loan grant of \$4,000 less deferred taxation thereon of \$38,000, goodwill on consolidation written off of \$20,000, and an unrealised exchange gain of \$17,000.

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May 26, 1981

High drama at high dam site over contract

by Ann Taylor

THE high dam at Clyde on the Clutha River is serving as the backdrop to an industrial drama which could affect the tenor of relations on the different projects.

Ministry of Works employees, and Contractors Federation members both want to pour the 900,000 cubic metres of concrete. Both parties have made position statements over the last few weeks with, as yet, no action.

Tenders will be called in July for the dam which will generate the electricity necessary for the controversial aluminium smelter at Aramoana to survive dry years, according to last week's energy advisory committee report.

The Combined State Unions and the Federation of Labour have strongly objected to private contractors doing that work, which has traditionally been handled by the Ministry of Works and Development.

During the FOL conference, president Jim Knox arranged a lunch-hour meeting with Works Minister Bill Young. Young said then that pressure from the Contractors Federation in its most sustained lobbying effort ever, resulted in a decision that the work would be going to private contractors.

PSA president David Thorpe said the move to abandon the ministry in major construction works was a "disastrous situation".

The FOL and Labour Party conferences, while objecting to the firming out of Government works to private enterprise, did not come out specifically against the contracting of the Clyde dam.

And the Contractors Federation has not replied to Thorpe's information that industrial action will be taken on the Tongariro and Waitaki schemes in protest.

There is a feeling among contractors that any comment

would inflame the situation. The Government, until now, has bought industrial peace — state houses and restes have "cost the taxpayer heavily" according to one contractor.

And it is no skin off the contractors' noses if craft or workers unions members do the work. They will probably be the same workers, according to contractors.

Other contractors point out the Ministry of Works will oversee the whole job. Whereas

previously it has designed, engineered, built and consulted — virtually adjudicating its own work — it will now be in the position of acting strictly as consultant to the private contractors.

The Contractors Federation mounted a campaign three years ago to put concerted pressure on the Government. The campaign is somewhat punctuated by Beker Construction Ltd's manager Jim Ross who argues that the Ministry of

Works is best equipped to build the dam.

Ross argues that overseas interests do not need to be brought in to pour concrete; something the Ministry of Works has demonstrated ability for on the Waitaki scheme.

Ross has been to see Young and put his case to the Contractors Federation to no avail. He says the industrial problems will be very real if the work goes to private contractors.

"It will be fair bait for the

unions; the union structure under the Ministry of Works has not, to date, presented any problems."

The Workers Union secretary on the Clyde site, Jim Tongue, says the Government's intentions are still unclear. He points to publicity given to the need for 100,000 skilled workers and says, "What about us?"

"We know Huntly was about to come on in April 1978 and there's still no power coming

out." He blames that delay on the use of private contractors.

Tongue has 270 members on the site at the moment which he says will only increase to 400 if private contractors come in. If the MOWD did the work he says 600 to 650 members would have been required.

"If the Government would give us the go-ahead we'd go ahead and build it now," says Tongue. The tenders, to be called in July, will not be let until February 1981.

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For further information on LINC (and the proof that we're not just crying "Wolf"), contact Brian Clark at our Wellington Office, Telex NZ 31137, or telephone 725-019.

LINC

Burroughs

Wine

Not enough staff to police regulations

by Frank Thorpy
THE Health Department may have insufficient staff to effectively police the wine regulations.

The better part of the 1980 Food and Drug Regulations, which turned the illegal into the legal by allowing water to be added to New Zealand wines, was the labelling provi-

alon. Section 228E, paragraph 5, states: "The name or description of the wine shown on the label shall not include any reference to a single variety of grape unless the wine has been manufactured from not less than 75 per cent of juice derived from that variety of grape."

This, in theory, precluded winemakers continuing with, say, the bad habit of labelling a wine Riesling, that is, made from the aristocratic Riesling grape of Germany, when, in fact the wine was made from the Muller-Thurgau grape commonly known as Riesling Sylvaner in New Zealand.

Health Minister George Gair, when announcing the new regulations, said they would be vigorously policed and is reported to have said that two extra officers would be posted to the Auckland district for that policing.

on various wine sellers' shelves 1980 wines from at least six different companies labelled "Riesling". The small print on the labels say they are made from "Riesling Sylvaner" grapes — a clear contravention of Section 228E.

Is this the thin edge of the wedge?

Real estate

Home Locators scheme upsets establishment

by Lindsey Dawson

A NEWLY-established home-seekers' listing service has come under fire from the Real Estate Institute president, New Neill.

The company, Home Locators, is based at Anzac Avenue, Auckland, charges home-seekers \$30, which gives them three months access to the Home Locator files of vacant flats and houses.

Neill told NBR he felt the company, which was started by Australian Cliff Mearns in early February, may be in breach of Section 22 of the Rent Appeal Act, which makes it an offence for anyone to take money for offering to obtain a dwelling place.

"The intention of the law is that people should not be put in a position where they have to pay for your services unless you are a licensed real estate agent," he said.

Licensed agents charged the equivalent of one week's rent to clients only after they were satisfied, he said.

He said he had heard several complaints about the set-up, and welfare workers had expressed misgivings about the operation.

"But it's not fair to invoke the law," Neill said. "We can only discipline our own members. I feel that if the present law can't do the job it should be changed."

Home Locators' managing-director Mearns told NBR that Section 22 of the Act had been brought to his attention "and our solicitors are looking at it".

"But if we're in breach of it so may be a lot of other firms, including the newspapers who take money for listing properties," he argued.

The first line of brochures handed to would-be clients explains that Home Locators is not a real estate agent and explains that it is merely a listing service.

"We make no guarantees at all, and explain to our clients that it is up to them to phone landlords and check out the properties," Mearns said.

The vast majority of those who registered with Home Locators found somewhere to live within the three months, he said, and it was up to the home-seekers themselves to have the initiative and the will to get out and look.

"We have new flatings on our list every day, and clients can come in and use the phones in our office to make preliminary inquiries," he said.

Such listing services were commonplace overseas, said Mearns.

His firm had come to New Zealand because it had heard there was no such set-up here. He would soon visit Wellington and Christchurch to look at establishing Home Locators there.

He said that he had had no complaints from clients. Mearns said he believed the service was cheap: "\$30 for three months works out at less than the cost of two newspapers a day."

He said the firm had about 80 vacant properties on its lists at present, and showed NBR files showing 511 properties listed and taken since he set up the business. This represents an income of at least \$15,000 since the firm opened its doors.

Landlords who list their flats and houses pay no fee; they contact Mearns after the property has gone.

Home Locators has a file of house-dwellers willing to share

accommodation, but Mearns said that not many of his clients were interested. "I think the shortage of rental accommodation may be partly due to this reluctance to share," he said. Neill told NBR that it was "a sad state of affairs" that when people had to spend years gaining qualifications to work as real estate agents, people could

set up business to do the same sort of job with no qualifications. Neill Mearns: "If they're going to go to the trouble of getting qualified they should do more to help people find homes."

He said a number of members of the Real Estate Institute have referred people to his firm.

Don Carranach, the Auckland deputy-manager of the Housing Corporation, which administers the Rent Appeal Act, told NBR the corporation had investigated the Home Locators' scheme.

"On the information we have at this stage we are satisfied that they are not in contravention of the Rent Appeal Act."

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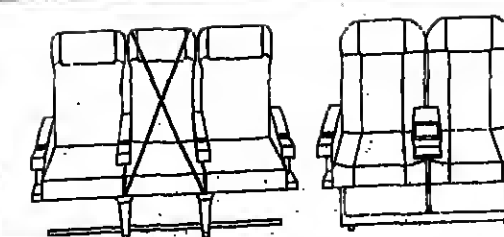
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MACH 668

Engineering firm refuse to pay staff training levies

by Allan Parker

SOME engineering companies are breaking the law by refusing to pay compulsory levies for staff training — and getting away with it because it would cost the Labour Department for more to enforce the payments.

In some instances, companies are refusing to pay just \$15 a year as their contribution to Engineering Industry Training Board finances.

Labour Department attempts to make them pay up would involve a far more costly legal action through the courts. The department has this power under the 1978 Industrial Training Levies Act.

As a result, the EITB has been forced to cut back on its training programme and shelve plans to produce training manuals for factory workers.

The non-payment problem is also embarrassing at a time when the Government is trying to relieve a chronic shortfall of trained engineering workers for the major projects programme over the next decade.

The fast-track training scheme — SEATS — has already met with considerable employer resistance. Refusal to pay minimal training levies for the industry compounds that difficulty.

The EITB is funded both from industry and by the Government, through the Vocational Training Council. Traditionally, the Government grant to industry training boards has been about 90 per cent, with industry contributions providing the rest.

In the EITB case, the industry levy is budgeted between \$5000 and \$6000. Individual company levies are set

by the number of employees.

Companies employing up to 10 people pay \$15 a year, up to 20 people \$30, 50 people \$75, 100 people \$100, 200 people \$120, more than 200 people \$125.

The levies have recently gone up and some 16 per cent of the employers have refused to pay their compulsory contribution.

Some have objected that they should not be classified as

members of the engineering industry. For example, boat-builders who use a variety of materials maintain they are not engineers.

The EITB has suggested these companies apply to the Labour Department for an industrial reclassification.

Vocational Training Council secretary Bill Graham said the Engineering Industry Training Board is one of four that fall within the Industrial Training

Levies Act and therefore the Government can enforce employer funding compliance.

The other three are the apparel, textile and furniture industries. Employers in all four industries are registered under the Factories Act. The levies fall, therefore, on factory-based operations.

However, the other three training boards do not appear to have the same non-payment

problem as the engineering industry.

Industry levies in other industries are not enforceable by law, according to Graham, because they are not factory based.

The VTC has been trying "for some time" to find a way in which these boards could be assured of industry support, although some receive as much as 50 per cent of their funds from the industry members.

On-job training works out on big contract

by Lindsey Dawson

NEW ZEALAND'S problems in finding enough skilled staff to carry out the "think big" projects planned for the next few years are highlighted by the challenge posed for Andersons Engineering Ltd, of Christchurch.

Andersons, a member of the Ceramco group, won an \$8 million contract for work at the Tiwai Point aluminium smelter. The trouble was they needed 50 extra welders and

boilermakers' assistants to do the job, and there were none in sight.

Andersons surveyed the labour market and came up with what they saw as the best solution — to gather a team of unemployed workers and train them themselves.

"We've had great support and encouragement from the Labour Department and the unions in setting up the programme," said commercial manager David Band. "The Labour Department has found the men — and we're very pleased with the calibre of the people they've sent along — and they're also providing about 15 to 20 per cent of the \$2500 to \$3000 a man training costs. We also consulted the unions involved and they're bending over backwards to

make sure that the job will be successful."

The company is employing the men for the duration of the contract, some 15 months, and has promised to do its best to find further employment once the job is over.

It involves the supply of cathode shell assemblies to the company's biggest customer yet and Andersons is spending more than \$5 million generally for the job, including its training programme and equipment.

The training involves engineering classes at the Christchurch Technical Institute, as well as company instruction.

But, says Band, it is "just as easy to train them as it would be to encourage people to come from other companies."

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THE CAPITAL LETTER

Doubts whether SPM will work for lamb exports

AGRICULTURE Minister Duncan MacIntyre will soon have to answer the agricultural lobby in the House of Representatives — how he envisages his supplementary minimum prices scheme will work.

And farmers will also want definite indications whether he favours a marketing commission that could take the industry along the road to total, compulsory acquisition.

MacIntyre surprised farmers, freezing companies and meat exporters when he announced the Government's SMP scheme earlier this year at prices for lamb that seemed staggering.

The SMP for a PM lamb will be 145 cents a kilogram for the 1981/82 season, which starts on October 1. At the time of the announcement, the schedule price was only 110 cents, but it has risen a further 5 cents.

Optimistic prices were also announced for mutton, cow beef, bull beef and prime beef, although these prices are not causing the same concern as lamb.

MacIntyre saw the high prices as a spur to greater production, and at face value, that seems a reasonable argument.

But he has been noticeably short of explanations since, and both the farming and the meat industries want to hear soon just how he thinks his SMP scheme will work in relation to lamb.

Most observers in the industry simply do not believe that the higher prices will be reached on the open market.

Market returns will have to increase about 20 per cent between now and the start of the season, less than five months away. Once the effects of inflation on the cost of the freezing industry are taken into account, the optimism of the Government seems even more misplaced.

Currency is another important question. Even though the New Zealand dollar has been slowly devaluing, the value of the British pound has also been dropping, and that makes the situation even more impossible.

Will the Government simply devalue? That has been denied by Government spokesmen who would not want anybody to have advance knowledge of such a move.

All these factors are leading many to believe that the Government simply intends to directly subsidise the farmer by meeting the difference between what the schedule is and SMP.

Devaluation would solve the Government's problem only temporarily, anyway. Once imported costs on the farm started to rise because of such a move, probably four or five months later, any advantages would be overcome.

But direct subsidisation will also cause problems, particularly as the Meat Board and the Government are battling to persuade the United States not

to impose duties on lamb because our exports to that country are heavily subsidised — at least according to the United States National Woolgrowers' Association's claims.

The association has filed a petition with the United States Commerce Department seeking punitive duties on New Zealand and Australian lamb imports which it says are heavily subsidised both by export incentives and agricultural subsidies.

The department, significantly, has already ruled that New Zealand's exports are unfair, but this country can still avoid duties if it can prove to the department's satisfaction that the imports are not harmful to the local industry.

New Zealand is basing its case on showing how much money it spent on promotion within the United States, and how this must have strengthened the American lamb market at a time when domestic stock numbers have dwindled drastically.

This country is trying hard to gain the right to an "injury" test, a right it does not have because the Government refused to sign a GATT code on subsidies which outlaws export incentives on manufactured exports.

Undoubtedly, this country will be in an even weaker position if there is direct subsidisation of farmers' incomes through lamb kills.

It also raises the interesting questions of who will own the meat and how it will be marketed.

Will the Government simply pay out to freezing companies successfully established in less than five months.

Moreover, the commission envisaged by the board seems aimed at Middle East and African markets where buyers insist on dealing with government or semi-government agencies. And even the board would be aware that it would have to fully explain its ideas to farmers before it started implementing them.

However, the saddest part of the SMP scheme is that it is only a short-term answer. It will lift farmers' incomes next year, but it will not control costs either on the farm or to and at the market place.

It will also call for a great injection of taxpayers' money — a cost the Government will be called on to repeat if it is not to boost confidence one year and lower it the next.

Or will the Government buy the meat outright from the companies and market it itself? NBR (March 30) reported how the Meat Board was thinking of setting up a meat marketing commission to handle certain markets — a move that some in the industry saw as the thin edge of the wedge for total acquisition.

Board chairman Adam Begg has since denied the board has any such intentions, and has reaffirmed the board's faith in the traditional free market system and meat exporters.

The Government might have different ideas, however, although it is doubtful that such an organisation could be

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distinctive styling that breaks away from the look-alike sameness of its competitors. This is enduring style — classic, strong, individual.

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Under the sleek bonnet is Toyota's incredible T series engine. 3T in the Corona XT and 2T in the Corona XR. The T series combines outstanding reliability with excellent economy (3T 1800cc proved to return up to 7.2 litres per 100km — 38mpg).

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One drive will convince you that 1981 Corona gives you more travelling space than any other car in its class. This is particularly noticeable in the rear seat. Now re-located and re-designed it gives outstanding roominess.



New full-cloth seating. New dash layout.

The 1981 Corona has all-new instrumentation too—a completely new dash layout. The front and rear seats now give you the luxury look and comfort of full-cloth facings.

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XR Sedan	\$10,990.	Auto \$12,390.
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TOYOTA Ahead in the 80's.

Transport

Targets must be set for urban operators

by Bob Stott

URBAN transport is being driven blindly.

World-wide experience shows that urban transport's customers either cannot or will not pay fares high enough to meet running costs, let alone to generate surpluses. But lack of profits is no excuse for failing to define objectives.

First, urban transport must show that it produces something concrete — rides within and to and from urban areas. Not as tangible as bars of soap, these rides nonetheless are the products of operators who run buses and trains, which cost money to produce and which are sold to customers for cash.

The effects of ticket sales are also tangible and — because the size of rides is generally unpredictable — must be considered if operators are to set realistic aims and objectives.

These are the targets set by the RATP (Paris Autonomous Transport Authority) for 1990:

- To save 60 million hours of travelling time a year;
- To "rescue" 500 km of road space, equivalent to 35,000 parked cars, by persuading car owners to leave their vehicles at home;
- To save 200,000 cubic metres (m³) of fuel per annum;
- To reduce general pollution significantly;
- To achieve a considerable improvement in the number of people who can get to work in 45 minutes.

Parisian transport planners believe the city's population will grow from 9.9 million to 10.5 million by 1990, that there will be a population fall in the inner city and a significant growth in the suburbs. Arising from this will be an increased demand for orbital (suburb to suburb) trips and an increase in off-peak travel.

These trends can be expected to apply in New Zealand cities which experience suburban growth and inner city decline.

The RATP targets are tangible. Transport men in Paris can judge if they are running an effective operation. If the rate at which parking buildings are constructed in the inner city is falling, then RATP is working. If fuel sales decline, RATP is working. If commuters are getting to work more quickly, RATP is working.

It becomes easier to assess

the benefits of urban transport and to see how those benefits equate with costs. If commuters' time is worth anything, and if that time is being saved, then there is a net benefit in return for money spent on urban transport. If inner-city land is being used for something more productive than car parking, then there is a net benefit... and so on.

But calculating benefits gained in return for money spent on urban transport does not solve the problem of who is to pay the cost of urban transport. In Paris, 60 per cent of capital cost is met from state and regional funds. The balance comes from loans.

Operating costs are another matter. The Parisian commuter meets only 38 per cent of operating costs, but planned fare increases will boost that share to 44 per cent by 1984.

The second source is the recovery of loss of receipts through concession fares. Such fares are bought by regular commuters, and the RATP levies all employers in the region to meet the cost on the grounds that concession fares enable an employer to tap a much larger labour market than would otherwise be the case — he benefits, so he pays.

The third source is the recovery of concession fares allowed to large families, the handicapped and the aged. The money is recouped from social security funds.

Finally, there is what the French call the compensating indemnity. Obviously there is a gap between a fare level which would produce profits and the actual fare level which is set "according to the public interest". This gap is covered by the compensating indemnity, 70 per cent paid by the state and 30 per cent by the regional authorities.

In Wellington, the only New Zealand city with buses, trains, and an almost European level of public transport use, rail fares meet 46 per cent of operating costs (1978 figures) while city bus fares cover 55 per cent. Compare that with Paris's 38 per cent for both buses and trains, and the RATP's 1984 target of 44 per cent. Note, too, that the buses get 13.2 per cent of Wellington's total rates take (compared with 15 per cent spent on parks and reserves, for example).

New Zealand's Urban

Transport Bill is an attempt to look at transport regionally, so that the cost of urban transport is shared to a greater extent by metropolitan areas rather than by the few local bodies in those areas which provide transport. It is also an attempt to better co-ordinate transport operators (typically, local authority buses and the Government's rail and bus services).

But the new urban transport authorities won't have set aims, objects and targets without which their operators will be unable to judge their performance.

The year's-end financial result of a local body bus operation adds up to "we lost no more than we expected", but does nothing for the self-esteem of the transport managers or staff, and nothing for the transport operator's image.

Judging the true worth of an urban transport operation requires answers to: "What would be the cost to the city if the buses stopped? What would be the cost of the alternative of no public transport at all?"

The cost would be high. Many suburban dwellers would find that the increased traffic congestion and high costs of car commuting were intolerable. They would leave if they could and mid-city employers would find it harder to get staff. There would be demands for more roads to the central city and more parking spaces. Land taken for motorways is lost forever as a rateable asset, so rates would rise as more land went under concrete.

The cost probably would be higher than the cost of persisting with public transport, but it would be difficult to calculate.

Rather than embark on a theoretical exercise to find what would happen if there were no public transport, it would be better to set targets as in Paris. Then the success of the city transport manager who increased sales (attracted more passengers) would be obvious.

Currently, the only way a transport manager can be regarded as effective is to reduce expenditure, even if that results in fewer sales, which makes a mockery of the reason for the existence of urban transport services.

The quality of urban transport management in New Zealand seems up to world standards. The fare levels, too, recover a higher portion of



Wellington's "big rads" ... a lack of direction?

operating costs than many overseas operations. Safety standards and comfort levels are high — New Zealand has a higher percentage of seated commuters than in most developed countries. All that's lacking is an attainable target... we must tell our urban transport operators what they should be trying to achieve.

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With this in mind we undertook a survey to determine the truth.

Our researcher called at 21 doctors'

rooms. Women's magazines were waiting patiently in 19 alongside newsweeklies in 17. The Digest was only in 8 or 38% of waiting rooms.

Apart from establishing that the majority of The Digest's 880,000 readership* does not come from the indisposed, drawing conclusions from this startling survey is clearly difficult.

Perhaps a little check up of the women's and newsweekly magazines recent performance in New Zealand

might be useful. From a purely medical point of view of course they have been showing some curious symptoms.

Fluctuating and conflicting readerships along with ailing circulations over the past three years are enough to make even the most placid of media executive's blood pressure go up.

The Reader's Digest on the other hand is in the peak of condition.

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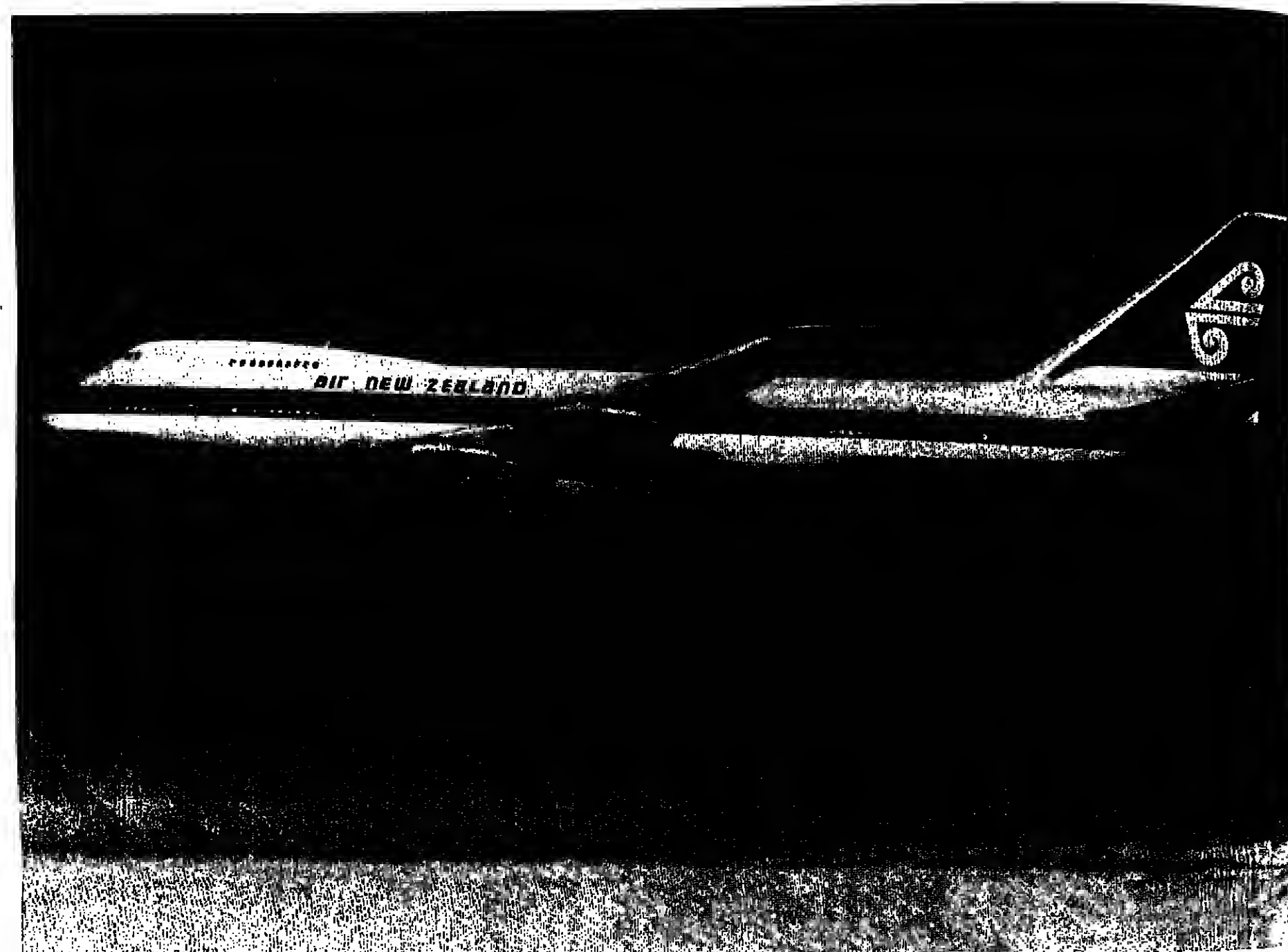
A vital, buoyant magazine with no signs of fatigue or neurosis.

In total a healthy picture which can give confidence to client and agency alike. Particularly when considering that before an advertisement can do well, so must the medium it is placed in.

Reader's
Digest

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DWME 28118

Anger at TV rules

by Lindsey Dawson

SOME advertisers and ad agencies are angry about new rules for booking advertising which have been imposed by Television New Zealand.

Advertisers now have to book on a rolling basis 12 months ahead. If they cancel within 10 weeks of the booked time, they must pay cancellation fees.

Before the new rules were introduced last month, cancellation fees were payable only if ads were pulled out within six weeks of the allotted screening time.

"I think that the problems which TVNZ is trying to avoid will only be compounded by the new system," said Ray O'Connor, group product manager of Johnson's Wax, whose TV advertising budget for the coming year totals more than \$1 million.

The long lead-time and the inflexibility of the booking system would lead to problems, said O'Connor.

"No company is going to put up a million dollars in the hope that everything will be right."

"We are a multi-product manufacturer so at least if something goes wrong we can switch to another line to advertise. But what if you're going to produce a new car and the whole thing gets held up because of a strike in England or somewhere, and you have to cancel your advertising late?"

"I think these new rules will lead to people keeping their money very close and looking carefully at alternatives. The newspapers could do very well out of it."

"It will be extremely difficult to plan advertising 12 months ahead when we won't know for sure what programmes our ads will be placed around. We are told that a certain time slot will be a situation comedy or a police drama, but we won't know whether it will be a high-rating or low-rating show."

O'Connor said that manufacturers were already examining alternatives to television.

"Everyone I know is looking seriously at other media," he said. "TV advertising is getting a bit like the oil situation."

A few years ago the alternatives to oil were too expensive to consider, but now we're looking at all sorts of different things. If TV advertising gets too difficult the same thing could well happen in the marketing field."

TVNZ director of sales and marketing Richard L'Estrange told NBR the new move was designed to "smooth out the whole operation with the intention of benefiting the advertiser."

"Previously we accepted applications at the end of the year from agencies for TV time for the next year, and we would then go through the process of allocating and distributing that time," he said.

"Last year it took the form of a store-front operation on the computer terminals. It led to a number of difficulties. The sheer volume of work put a heavy load on computers and caused problems for everyone — the ad agencies and ourselves."

"So instead of trying to cope with 12 months' applications at once, we are spreading the load."

He said the new scheme should benefit advertisers who wanted to book late. "It will enable us to see where

availabilities lie. There are a number of advertisers who do not necessarily find it possible to book a long time in advance and cancellations will give them the opportunity for shorter-term booking."

NBR understands that the corporation has had trouble with agencies "shadow-bookings" — that is, booking more time than they necessarily need and then cancelling just early enough to avoid paying a cancellation fee, but too late for the time to be taken up by another advertiser.

The new 10-week space might allow more last-minute juggling.

But other advertisers believe that if people get the idea that more late-booking opportunities will be available, they will put off booking at all until the last 70 days — and if they can't get in will switch to print advertising.

Agencies don't wish to "queue their pitch" with TVNZ and generally don't wish to be quoted. But some have expressed anger at TVNZ's attitude.

"We provide their bread and butter and there's nothing we can do about this situation. We just have to like it or lump it," said one account executive.

"All I can say is roll on Channel Three so that we can get some competitive element into this."

The price of making a sales pitch on TV is also concerning advertisers. A 30-second slot in the 6.30 news is now \$2340. Next to a prime time evening show like *The Sullivans*, it is \$1940.

Some ad agencies have complained to TVNZ and to "the four A's", the Accredited Advertising Agencies Association.

President Jim Belich told NBR that the Four A's had discussed the new rules with TVNZ. "Our executive is sensitive to the problems that some members have as a result of the changes," he said. "It has raised various issues with TVNZ and will continue to do so. In the course of discussion and after hearing explanation of reasons, the Four A's has had no option but to accept the decisions made by TVNZ," he said.

He said that in some ways the new system looked better than last year's "when we were queuing up at the computer."

ANZA (the New Zealand Advertisers' Association) had also agreed that it "will see how it works out," said Belich.

Investment plug

by Gordon McLauchlan

A SPECIAL section in the American magazine, *Nation's Business*, next month will tout the virtues of New Zealand as an investment venue for American companies, according to the Auckland president of the American Chambers of Commerce in New Zealand (Amcham), Paul Norling.

Norling said Amcham "has been instrumental in arranging for the special section" in what he says is the world's biggest business magazine "with a circulation of 1.3 million of America's business leaders" which is "450,000 more than *Business Week*, the second largest."

The image of New Zealand in the United States seems to be getting continual subliminal polluting from small pieces of good news from prestigious

authors. While I was in New York earlier this month:

● The *New York Times* carried the eulogy of Enzed by James Reston.

● The *New York Times* Book Review lead story was about a biography of New Zealand words wizard Eric Partridge and mentioned that his successor as king collector of "cliches, neologisms and nonce words" is yet another Kiwi, Robert Burchfield.

● The recently issued paperback edition of the much-admired book, *The Return of Eva Peron*, by V S Naipaul, carried the following gratuitous comment: "Argentina is a simple materialist society, a simple colonial society in the most rapacious and decadent phase of imperialism. It has diminished and stultified the men whom it attracted by the promise of ease and to whom it offered no other ideals and no new idea of human association. New Zealand, equally colonial, also with a past of native dispossession."

While I was in New Zealand, but founded at an earlier imperial period and on different principles, has had a different history. It has made some contribution to the world; more gifted men and women have come from its population of three million than from the twenty-three millions of Argentina."

Expatriate Kiwis say that was a good week, but agree that similar small plugs for the homeland are not all that rare.

New man at O and M

by Lindsey Dawson

THE cost of producing advertising in New Zealand is "alarming," says Ogilvy and Mather's new chairman and chief executive officer Mike Robinson.

Newly arrived from O and M Australia, Robinson says that

in many cases ads can be produced in Australia at two-thirds or even half the cost of the New Zealand equivalent.

"For one of our Perth retail clients we produced seven 15-second taped commercials in one day's shoot for a total cost to the client of \$3500," he said. "I suspect that the New Zealand cost would be much higher than that."

Robinson replaces Ken Brady at O and M, who has become chief executive of a new chain of agencies, called Meridian, in South-east Asia. The chain is owned by O and M but has been set up on a competitive basis and will allow the group to take on business which would previously have been of conflicting interest.

Robinson comes from South Africa, but has worked all over the world.

O and M in New Zealand has an impressive client list, including the Mazda Corporation, P & O, Unilever, the BNZ and Shell and "very healthy

billings to the order of \$8 million."

"But we would like to do better," Robinson said. "We have been in something of a trough period, but all the signs are indicating that it is now over."

He would like to increase the agency's PR activities, and hopes to generate more push into retail, recruitment, rural and direct response advertising.

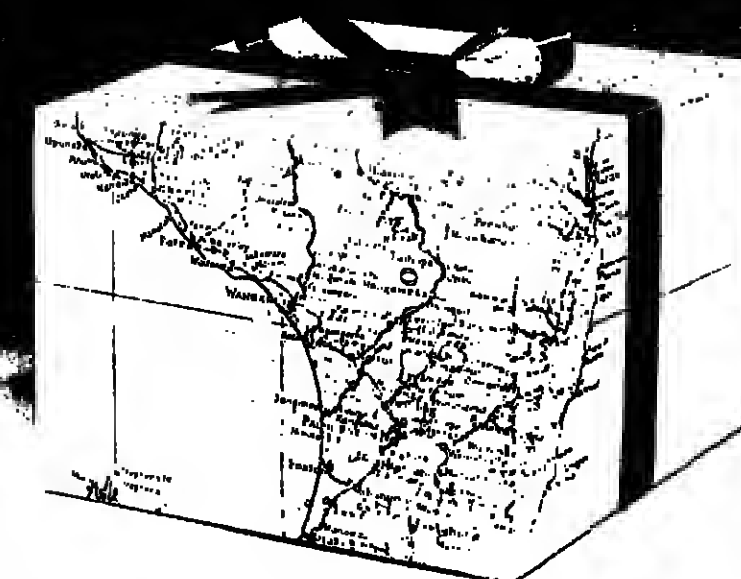
Direct response was an increasingly successful form of reaching specific markets, said Robinson. "One ad, which appeared only twice in the national press, resulted in sales of \$125,000 for the Jaggard coin company."

Robinson has been puzzled by newspaper regulations regarding retail and recruitment advertising in New Zealand, which bar agencies from getting commission.

"I find it outmoded by world standards," he said. "Agencies which are prepared to develop their skills in these areas have every right to be rewarded for their efforts."

We'll package up

Palmerston North, Wanganui, Stratford, Eltham, Hawera, Patea, Marton, Bulls, Feilding, Foxton, Shannon, Levin, Otaki, Waipawa, Waipukurau, Dannevirke, Woodville, Pahiatua — and all places in between:



Radio 2XS — the new way to reach 220,000 regional consumers

You'll have heard about our new private radio station based in Palmerston North. But, maybe you didn't realise that our coverage is much, much more than Palmerston North City or even the Manawatu.

With our frequency — 828 — and our 2000 watt transmitter we can deliver for you a slice of New Zealand that no other medium can offer. From Stratford in the North to Waipawa in the East and Otaki in the South, we'll be beaming good-time regional radio. From our first broadcast on 29th May we'll be offering you a new regional advertising and marketing opportunity — a potential market of 220,000 consumers.

Two-thirds of the people in our region are under 40 and that's where we'll be directing our message. To the free-spending younger market.

Make sure we're on your schedule

Make sure we're on your schedule phone or write now, to our Sales Manager, Brian Veale, PO Box 446, Telephone 84-069, Palmerston North, for a Station Profile and Prospectus.



RADIO 2XS • RESULTS 2XS
ON AIR MAY 29th 8:28AM

Agency Sales

Auckland — Creative Media Services Ltd, Tel 796-662
Wellington — Admedia Services Ltd, Tel 857-504/845-842

NZ's \$6 million Fiji investment — what went wrong

by Warren Berryman

THE Ministry of Foreign Affairs and the Forest Service ploughed \$6 million into the Fiji Pine Commission on the assumption that a New Zealand company would be involved in the harvest and production of the resulting wood.

But British-owned BP South-west Pacific has beaten New Zealand companies to the contract.

Foreign aid designed to help the native Fijians resulted in a "disastrous alienation" of the Fijians from the Pine Commission and from New Zealand aid people.

Geoff Fischer, former manager of the Pine Commission's information services section, returned to New Zealand recently with some answers as to what went wrong.

"The Forest Service, with a powerful de facto influence on the commission's affairs (the general manager of the commission is a Forest Service officer who sits on the board) must accept some responsibility for the disastrous alienation of the very people whom the scheme was designed to help," Fischer said.

"What went wrong? The answer is simple: a failure on the human relations level."

"Aid officials were either oblivious to or unable to remedy the increasing disenchantment and frustration felt by landowners and local salaried staff of the commission."

"Aid projects are always fraught with peril for both the donor and recipient. For a start, aid officers are generally very highly paid by local standards, come to expect high living standards, membership of exclusive clubs, domestic servants, and in short, all the paraphernalia of colonialism."

"Colonial attitudes inevitably creep in, and are used to justify the glaring discrepancies in income between expatriates and locals."

"Local talent tends to be undervalued while expatriates in key roles land most of the professionally challenging, and thence career developing, assignments."

"Sometimes, too, personnel who due to incompetence or other factors are an embarrassment in their own country, are conveniently shipped off to an overseas aid project, where they manage to effect extraordinary levels of damage."

"On top of all this there is the ever-present potential for culture clash. Ironically, in Fiji this most often takes the form of conflict between the traditional Christianity of the Fijian village and the atheistic materialism of European expatriates — a neat inversion of the 19th century situation."

"By failing to note signs of frustration and resentment among locals and by retaining the services of colonialists of the old school in key positions, Fiji pine management allowed dissension to grow unchecked."

"Enter American Paul Sandblom. His tactics were hardly subtle. A vigorous hearts-and-minds campaign concentrating on the Fijian attachment to his village and his Christian faith won Sandblom solid support for his proposal to develop low-capital-input village-oriented utilisation of the forests."

"The rest," said Fischer, "is history."

The Pine Commission, a statutory body since 1976,

LAST week NBR reported how a major New Zealand foreign aid project — a Fiji pine-planting programme — turned sour when British interests, after American intervention, won the contract, confidently earmarked for New Zealand companies, to process the wood. This article backgrounds the project.

started as a Government-assisted programme to plant *pinus caribaea* in 1972.

The pines, native of Central America, were introduced on worthless eroded grasslands on the western side of Viti Levu — Fiji's main island.

New Zealand foreign aid in

unproductive grasslands owned by Fijian mataqali, the traditional land-owning groups, by villagers working for the Fiji Pine Commission.

The mataqali were given land rent and a share in the profits at harvest time.

Optimistic predictions put

single industry in the country."

Harvest time brought foreign interests in to bid for the wood and rapidly ended the era of stable relationships between the Pine Commission and the Fijian landowners.

Last year, the commission exported its first wood — about

tion) operation which would employ about 2700 workers.

The Pine Commission and its New Zealand Forest Service advisers were all set to give the deal to Shell-NZFP.

But an American company, Paul Sandblom's United Marketing Corporation, proposed a \$F2.9 million sawlog, pulpwood, sawnwood, woodchip and furniture package to employ about 750 workers by 1992.

United Marketing's propo-

the King of Tonga put a stop to it. Then the foundation backed Jimmy Stevens' Vakaia rebellion, which failed and landed Stevens with an 18 years' jail sentence.

The New Zealand Forest Service, the Fiji Government, Fiji Pine Commission and management and their Canadian advisers, were all opposed to United Marketing playing any role in Fiji pine. They favoured the Shell-NZFP proposal.

The Fijian landowners, represented by four out of 11 seats on the Pine Commission board, backed United Marketing.

When the Fiji Pine Commission appeared poised to hand the deal over to Shell-NZFP, the Fijian landowners rebelled. They blockaded the forest and brought the operation to a standstill.

The Fiji Government and Pine Commission reacted angrily and harshly.

The Government kept at United Marketing, by denying him a entry visa on the grounds he had been convicted and jailed by a Texas court in 1965 of a \$30 million securities fraud (known to Americans as the Ponzi game).

Sandblom charged the Fiji Government with political interference, which the Government denied.

Sandblom appointed Fiji only independent MP, Rev Osea Gavid, as his company liaison officer. The young Fijian cleric has a forestry degree and is the Fijian landowner representative on the board of the Fiji Pine Commission.

He was ordered out of Vanuatu in 1976 because of alleged links with the Jimi Stevens secessionist movement.

The four Fijian landowner representatives on the Pine Commission board boycotted a board meeting, demanding a written statement from the Government that there would be no political interference with the commission.

The Pine Commission swung its support from Shell-NZFP to BP, which was asked to do a final feasibility study at the end of the pine.

But Gavid and his landowners continued to blockade the forests in support of United Marketing.

Three weeks ago, Gavid appeared in the Lautoka Magistrates Court on three fraud charges involving a total of \$F24,000, allegedly appropriated from a Fijian village trust account.

Meanwhile the Fiji Pine Commission sacked about 90 striking Fijian landowners who ignored an ultimatum to return to work. Other strikers were prosecuted for trespassing.

New Zealand forestry experts claim the Fiji pine deal was no great plum anyway.

There is not enough wood in the country, and the wood is probably too tedious for new entrants to manufacture, they say.

These sources claim there will probably be enough wood available by 1985 to justify either a thermo-mechanical kraft pulp mill or a medium-density fibreboard plant.

At any rate, the market in New Zealand and abroad for TMP kraft pulp is not good.

The New Zealand medium-density fibreboard market is probably over-supplied.

National Library gets computer cataloguing go-ahead

by Stephen Bell

THE National Library — given a recent go-ahead to put a building over its present hole in the ground opposite Parliament Buildings — will also be able, at long last, to exploit computer power to maintaining its catalogues.

Education Minister Merv Wellington has announced that Government clearance for the library to install \$600,000 worth of computer software and terminals, to automate the management of its two million catalogue records.

Full implementation is likely

to take about three years. Until now, the National Library's catalogues have been maintained on a card system, with the exception of its list of serials (periodicals), which has been handled by the Government's Pipitea computer centre since 1979.

But this was merely a straightforward list, without the complex searching capabilities and comprehensive bibliographical information which will be provided on the new complete catalogue system.

The system will initially be

used by National Library staff only, but has potential as the centre of a network of computer terminals allowing libraries around the country to pull off information.

This would ease the work of provincial libraries in maintaining their own catalogues, and will greatly speed up the search around the country for an individual book or periodical.

While previously this would have been a matter for library-to-library postal communication, the National Library database will ultimately be a "union catalogue" of holdings at all libraries throughout the country, requiring only one central reference.

But any network extension will require further authorisation, unlikely to be given until the present system has settled in.

Some libraries around the

country have lost patience with the long wait and installed computer-aided cataloguing systems of their own. Many more have been waiting to see what the National Library would provide.

It is still unclear how long they will have to wait for clearance for their own terminals.

Apart from normal caution over implementing large computer systems, the main problem is one of security.

The central system will run on the Government's Cumberland computer centre, which contains information relating to the affairs of many other Government departments.

Naturally, security provisions are extensive, but there could be public misgivings over a terminal in the local library theoretically having access to

Treasury information and public servants' payrolls.

It is likely that building of the network will require the library system to be shifted on to a small machine separate from Cumberland, and this would require approval of further finance.

District libraries would probably be expected to pay for their own terminal equipment to link into the system.

The first phase will give the National Library about six terminals into the database.

The programs to be used are ready-made packages developed by the Washington State Library, in collaboration with Boeing Computer Services. The system is used by more than 60 libraries in Washington and surrounding states, and was taken on last year by the Australian National Library, which began extend-

ing into a network at the beginning of this year.

Australia's use is clearly a powerful argument for adoption of the Washington system here, especially with moves towards closer trans-Tasman co-operation.

But the Washington package has merits of its own, said Wellington city librarian Brian McKee. It was a properly organised software package, "made to be sold", strong on reliability.

Last year, the New Zealand Libraries Association's library automation group invited Washington State librarian Rod Swartz to New Zealand, to talk about the system to librarians, Government personnel and other interested parties (NBR, November 10, 1980).

Subsequently, the association declared its support for the Washington system.

When you stand for excellence you don't compromise

In New Zealand, Mercedes-Benz is represented by Cable-Price Corporation Limited



The Flexi-station... computers and comfort.

Furniture — with an eye on VDU convenience

FURNITURE company Nova Inc. is launching an attack on the "office of the future". Its slogan is what the company claims as the first New Zealand-produced piece of furniture specifically designed for visual display units.

Ergonomics, the science of correct design of equipment for the comfort and efficiency of the operator, has been attracting a good deal of local attention in recent months, but compared with overseas awareness, New Zealand is "backward", says Keith Masoo, manager of Nova's new data division.

Awareness of ergonomics is low not only among management but also among the operators themselves, says Masoo. "They accept headaches and discomfort as part of the job."

But with experience of inefficiently designed workstations, operators tend to move on more quickly. The resulting high staff turnover is also accepted by management as unavoidable, says Masoo. They do not realise that the problem would disappear with a little thought to ergonomic principles.

Design of Nova's "Flexi-station" began with a lower-

than-normal chair found to be optimum for the operator's head position and eye comfort.

Once the chair had been lowered, the keyboard obviously needed lowering without altering the position of the screen.

One of the earliest attempts at VDU ergonomics was the separation of keyboard from screen, but this could not be fully exploited with a single-level desk, Masoo pointed out.

The Flexi-station provides split-level surfaces for screen and keyboard as well as optional independently adjustable side tables.

The surface for the screen itself has a tilt adjustment through about 18 degrees, to minimise the widely-criticised reflected glare problem.

Significantly, VDU manufacturers are themselves increasingly providing a tilt adjustment on their screens, but Masoo predicted it would be a long time before the concept was accepted widely enough to make tiltable desk surfaces unnecessary.

The original model provided the tilt only backwards from the level position, but some screens were found to be tilted too far back already, so the Flexi-station will now have a two-way tilt incorporated.

A good many more articles of furniture specially designed for the computer-aided workplace can be expected from Nova's new division, but for competitive reasons managing director Raymond Keeley was not prepared to go into details.

The Flexi-station was designed with the aid of Swedish ergonomics experts and has been favourably commented on by ergonomists, trade unions, and employers here. At least one computer manufacturer, ICL, is actively promoting the station along with its terminals.



"I'd like to go to the movies with you, but I'm having some cash flow problems this quarter."

May 1981

WORD PROCESSING BRINGING Diskette Storage

On most Word Processing equipment, text is stored on diskettes (sometimes called "floppy disks") for later recall, revision and print-out.

The newly announced IBM Displaywriter System has a very efficient and cost-effective diskette storage system.

Archive and System Diskettes: some Text Processors have a permanently-installed "system" disk or diskette and copy material from a removable "archive" diskette into the system diskette, process it and return it to the archive diskette.

The IBM Displaywriter System (and the Office System 8) make no such distinction. As soon as a diskette is inserted into the diskette unit, text on it is accessible for processing. This ready accessibility not only saves transfer operations to hard disk storage. With storage cost on IBM's 2D diskette at less than 3 cents per page, 450 on a re-usable one-page diskette, you needn't be in any hurry to move from diskettes to denser storage hard disks.

The Diskette Unit: as you can see from the illustration, itself an innovation, the diskette unit is small and fits on a desktop. It may be sited to the left or right of the VDU screen, or on a copy on the paper copy, line-for-line and page-for-page.

Two diskettes may be loaded at the same time. Sometimes a typist will leave the Program Diskette in one slot of the Diskette Unit and put word diskettes in the other. But, the program diskette need not be loaded (that takes about 10 seconds). The Program Diskette used for text editing. With two 2D diskettes taken out and both diskette slots used for text diskettes. With two 2D diskettes (about 800 pages) is directly accessible by the typist. This capacity is useful where a very large repertoire of specifications or contracts.

As part of the IBM Displaywriter's modularity there are four diskette unit configurations offered:

Normal Density (120 page) Diskettes, one or two diskette slots. IBM refers to them as "Diskette 1".

High Density (450 page) Diskettes, one or two diskette slots. IBM refers to them as "Diskette 2D".

The "normal" density diskette will store about 284,000 characters. But which equates to about 120 pages. But there is no restriction on the number of pages of documents the diskette can hold; the only restriction is in the number of characters.

The high density 2D diskette will store about 988,000 characters — about 450 pages.

When the typist creates a document, either from author-submitted dictation or paper copy or from previously typed paragraphs, he/she may type with no regard for line ends or page ends. The Auto-Return to Carrier (may be switched on or off) is left to deal with the line ends. The machine may also be asked to divide up the stream of text into pages after all typing is complete but before printing takes place. The diskette then matches the line-for-line and page-for-page.

The IBM Displaywriter System uses the diskette as an automatic extension of the text-editing memory. Once the memory becomes full, the system automatically takes 2000 characters from the top of memory and returns them to the diskette. To the typist, the memory "feels" as large as 450 pages in length.

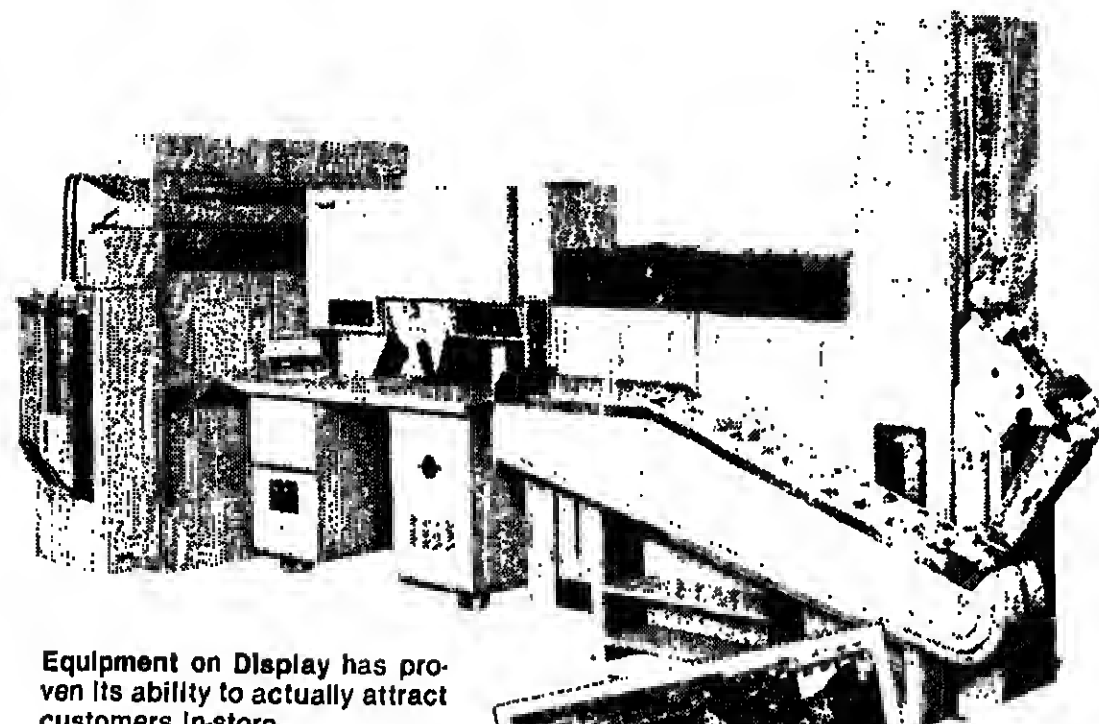
That's because of the 2D diskette — and it only costs \$11.70 to store 450 pages.

Who can we show you a Displaywriter System?

Kind Regards,
Noel O'Connell
Market Support Specialist

"If You Need Solutions, Then You Need IBM"

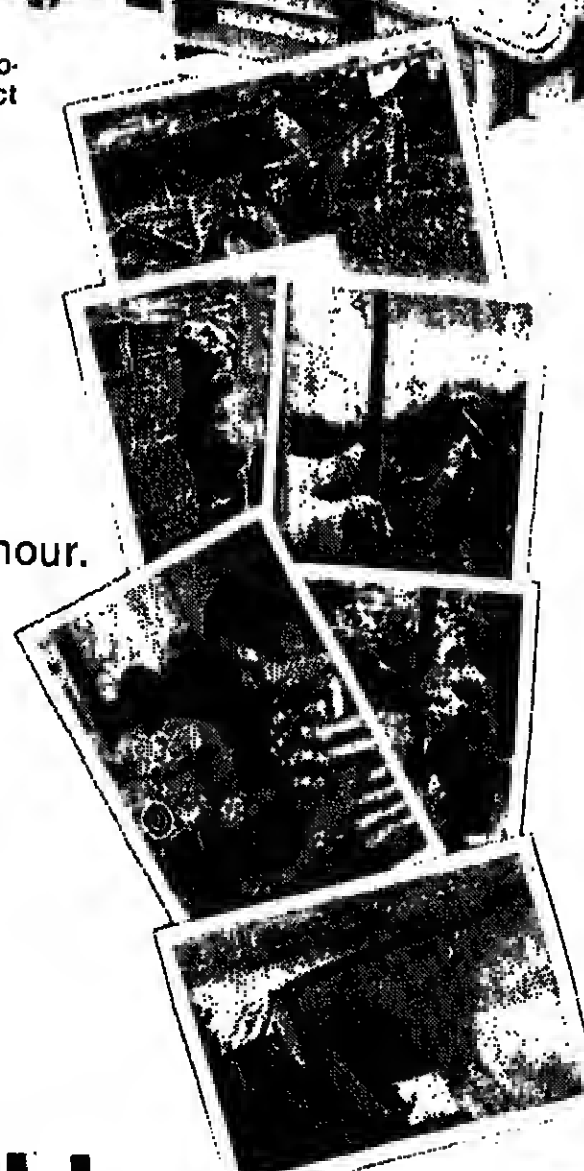
If you're in business for the Money.... have you ever thought of breaking into the COLOUR PRINT photo business!?



Equipment on Display has proven its ability to actually attract customers in-store.

Fast Turnover:

Customer's prints in 1 hour.
Reprints in 15 minutes.
Can do 400 rolls a day!
Profits?



The remarkable new
NORITSU
Mini-Lab
designed for on-view retail operation

Looking for a cash flow business. Here are a few things to think about. Noritsu's Mini-Lab, a revolutionary system for colour film processing, specially designed for retail outlets! The one hour photo service and intriguing operation is a proven draw-card which will also boost existing sales volumes in your store.

Can be installed to show the complete operation, in daylight, for your customers to see.

Absolutely perfect for rural areas, tourist centres (Imagine a same-day service for travellers), and local suburban trade. Lessen or eliminate waste time caused by other laboratories' pick-up/delivery procedures.

It's so simple! This equipment can produce profits that make your mind boggle. Read on, then give us a call to write. We'll tell how you can LEASE or OWN a Mini-Lab that make profits seldom dreamed about.

- Computer-controlled: Maximal print quality, minimal operator knowledge and expertise.
- Operation is virtually maintenance free
- Completely Automated:
- Small space requirements: Less than 250 sq. ft. floor area.

All enquiries treated in strictest confidence

PMD professional marketing division
Specialists in professional photographic equipment
1 Liverpool Street, P.O. Box 2191, Auckland
Telephone 796-780

Local Government

'Re-edited' report on Dunedin leaves red faces

THE Dunedin Metropolitan Regional Planning Authority's executive committee, a group of local body elected representatives, has found itself in an unusually embarrassing situation.

In February the committee discussed in secret a report from its professional officers on the population decline facing Dunedin and the effects this could have. The officers regarded the report as an important discussion document, and recommended making it public.

The executive disagreed. Quite simply, its members did not like the report said. The facts were politically unacceptable and the committee sent the report back to the professional officers to be changed.

Without giving away the contents of the contentious report, executive committee member and local Chamber of Commerce president Jean McLean said the local press the document was being kept secret because "it could have upset the public of Dunedin".

But an "errant" source leaked the report to the press. In a nutshell, the report did not project for the local community the employment benefits from the proposed aluminium smelter that local pressure groups had promised.

The original report, the one prepared solely by the professional officers, said Dunedin's population peaked in 1976 and would continue to decline for the next 20 years.

The population decline was due to fertility rates and migration, and the report said Dunedin was not alone, but simply in the vanguard of a national situation that eventually would affect all of the country.

By 1996, the report said, a population the same size as 1976 would, because of demographic changes, provide a potential labour force 5500 stronger.

Then came the crunch. The report said the aluminium smelter, with its 3000 direct and indirect jobs in the Dunedin community, would have no greater effect than bringing unemployment back to its 1976 level.

It would not go any way to providing the extra 5500 jobs needed by 1996. It would either halt or reverse the decline, though it may slow it up during construction phases the report said.

"It therefore becomes imperative to encourage and provide for alternative means of livelihood, as well as the encouragement of industrial expansion," it concluded.

The report's recommendations said future planning "should be based on a frank acceptance that the total population is expected to decline". And it said this should not be viewed "pessimistically" but rather should be seen as a challenge.

ing manipulated into its publicly acceptable form, a copy of the original document was leaked.

Contrary to Jean McLean's predictions, the public did not react hysterically to the upsetting revelations, though many people said publicly they were upset at being treated like fools by their elected representatives.

Local pressure groups, having only recently ironed over the disaster of Dunedin Mayor Cliff Skegg's now infamous "Dunedin is dying" gaff, were furious.

In a joint public letter, Manufacturers Association, Retailers Association, Chamber of Commerce, Otago Regional Development Council and Otago Council executives said the authors of the report had "done little or nothing to create an atmosphere in which employment can be sustained and if possible increased".

The executives said the planners ate into residents' "pride and confidence" in their city, and their report ignored the collective experience of their own "unselfish" efforts to promote the region.

Otago Council chairman Bill Christie said the report was "unacceptable" to the council. He also claimed the leaking of the report was "a deliberate attempt to destroy investment confidence in the Otago region".

Archer justified his committee's stand because, "it was not the job of the planning authority to decide that a gloomy future must be accepted".

It was a lot of fuss over nothing, Archer said. After all, the committee frequently sent things back to its professional officers before they became public.

Both McLean and Archer pointed to developments that could presumably help turn the tide. They mentioned a proposed freezing works near Mosgiel, and a chip mill near Balclutha. They did not say both projects were still at the "sometime-maybe" stage, as opposed to the smelter.

As if to add insult to injury, the executive committee went ahead with plans to change the now public report, and a few of them met the planners to discuss the changes they wanted.

The results were an illuminating example of politics over professionalism. The new "brighter" version of the report was finally released. Some words were deleted here, qualifications added there, to tone things down and subtly alter the meaning of various parts.

And there were some significant changes. For example, a statement in the report summary was dropped completely. It read: "A smelter can therefore not be expected to halt or reverse the projected population decline in the long term, though it may delay it, and reduce its magnitude".

The original report said "the process of change cannot readily be altered either regionally or on a national basis". The new report added: "although Dunedin could benefit greatly if full advantage is taken of the growth opportunities provided by Otago's natural resources".

The addition appeared to make the point that population decline was a fact of life to be accepted.

One section was deleted, and another added, specifically aimed at "publicising" the report's findings that could provide



Dunedin... static population but no one wanted to say so

The section on unconventional alternatives was considerably watered down. And was it a Freudian slip that, to a suggestion of job-sharing so that more people could work without increasing the overall number of hours worked, the

new report added "nor the cost to the employer".

A section was added to tell the public the population decline did not mean economic decline.

The overall result was

doubtless belittling to the professional planners who prepared the original report. Thanks to the leaking of the original document, the effect on the public was little less than a giggle of political absurdity.

But it has left many wondering precisely how much manipulation is going on, and what credence the public can put on information the executive committee makes available of its own volition.

SPECIAL PRE-PUBLICATION OFFER

The desk-top business partner which never lets you down

The brand-new, completely revised 22nd edition of *The New Zealand Business Who's Who* will be published in June. Order and pay for the latest, soon-to-be-published edition of New Zealand's only one-stop business intelligence service now - and you save \$5.00 and get a free copy of *The Office Book* (a new annual guide to the rapidly changing NZ office scene).

The New Zealand Business Who's Who is an invaluable business partner of the silent (but never sleeping) variety. After 22 editions and 42 years *The New Zealand Business Who's Who* is the most comprehensive business directory in New Zealand and is uniquely valuable as the country's only one-stop business information service.

In the 22nd edition there are over 600 pages of up-to-date detailed information about 10,426 companies and trading organisations operating in New Zealand. There has been a significant revision of 95 per cent of all entries since the last edition. There are 900 new companies listed.

For the 22nd edition of *The New Zealand Business Who's Who* detailed information about 10,426 of New Zealand's leading commercial and industrial companies and organisations was fed into the country's most sophisticated computer file and then channelled into a number of invaluable cross-referencing indexes.

The Main Section

All listed companies and organisations are set out alphabetically within five main sub-sections: Auckland, Wellington, Christchurch, Dunedin and provincial cities and towns. Each listing is keyed to a number that provides cross-referencing to six other indexes.

The Buyers' Guide

In this section three indexes alphabetically group product categories, brand names and agencies and overseas principals and cross-reference back to the main section and other indexes. This section is an excellent reference for manufacturers, importers and wholesalers.

The Classified Business Index

This section provides a comprehensive cross-referencing for all listed companies and organisations, classified by over 20 different trade categories.

Index of Directors

This section alphabetically lists all directors of public and private companies appearing in the main section. It is particularly useful for checking multiple interests of individual directors and board table associations between companies.

The Company Ownership Index

This index lists subsidiaries and associated companies and references them back to parent companies in the main section. This index is invaluable for finding references to minor companies which are too small to require a complete listing in the main section but have some importance as subsidiaries or associated companies.

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God's own economy, maybe — but can we afford to

RECORD unemployment, continuing high inflation, out-of-kilter balance of payments, creeping devaluation, declining investment... a nice little mess we've built for ourselves in what National Development No. 2 Barry Brill likes to call "God's Own Economy".

The Government's answer to these continuing ills is the "Think Big" programme of major projects centred on energy resource development over the next decade. (Balefully changed to "Think Growth" by Prime Minister Rob Muldoon because of the disquiet among auspicious small businesses and anti-big ecologists.)

The multi-billion dollar investment programme, the Government has promised, will rid us of our balance of payments problem, boost exports, create new industries and provide the jobs required for an expanding labour force.

To help the programme on its way the Government has given the project developers the National Development Act, a fast-track path through the planning thickets.

But the critics remain unconvinced, not all of them from the so-called crank element; many respected and qualified voices are questioning specific projects, the general "Think Big" thrust and its relevance to the New Zealand context. Undoubtedly, more investment in productive enterprise is needed if the economy is to provide those middle-class results promised from the major projects.

In the final article of a series on the big project programme and problem issues associated with it, Allan Parker assesses the programme and the downstream impact.

GEORGE Chapman used to call it so economic miracle. Barry Brill likes to describe it as God's Own Economy.

They are the sort of descriptions that come back to haunt politicians in election year, particularly when the prayers remain unanswered and the country continues to grapple with record unemployment, persistent high inflation, creeping devaluation and declining investment.

Clearly, an economic resurgence is needed to revive sagging business confidence and restore growth.

The Government is pinning its Lazarus hopes on the big projects over the next decade. National Party president Chapman has already outlined a seven-point campaign strategy which portrays the resource-based development as the coming saviour.

The multi-billion dollar investment programme, proponents of the projects maintain, will not only provide direct jobs exports. The economic activity will flow through the entire economy and return New Zealand to pre-1970s boom times.

Critics, on the other hand, argue that the projects will only create a few thousand direct jobs, will not provide downstream opportunities, will leave small businesses out in the cold and will destroy their local environment.

They even say some projects such as the second aluminium smelter are economically unsound, while others are inappropriate to the New Zealand scene.

Undoubtedly, investment in productive activity is needed if economic growth is to be increased. Victoria University

Professor (and ex-Treasury secretary) Henry Lang: "We will not get out of the mess unless we invest more."

Lang's comment was made to a high-powered investment seminar in Wellington earlier this year. He added: "It's not important if we invest in large or small projects; it is important to invest in projects with an adequate return."

"So the big/small argument is unimportant."

An investment analyst agrees. He told NBR: "Given the state of the economy, the important question is if the projects are the best way to use our capital."

But in assessing large-scale projects, investment analysis must take account of factors that would not be applicable to smaller development decisions, Lang said.

The risks and uncertainties associated with capital investment programmes are multiplied far more with bigger projects, largely because of their longer-term nature.

(Economics lecturer Tim Hazeldine, a New Zealander now based in Canada, agrees. During a visit home earlier this year he told *Listener* readers: "The problem is that large projects are intrinsically riskier than smaller jobs. They take longer to carry out, so extend further into the unknowable future. And they tend to represent a bigger break with past experience, with the knowledge embodied in previous undertakings.")

And because of the unique nature of the big projects, Lang and other financiers maintain, these factors must be considered before specific project financial analysis begins.

Lang and other analysts list a number of crucial strategic questions that potential investors in large-scale, resource-based developments should consider.

- What will the long-term future demand and real cost for the product be internationally?
- Will new technology make the proposed plant obsolete?
- What will industrial relations be like, with their "inevitable" effect on time and cost overruns?

- What impact, if any, will foreign exchange fluctuations have in the long-term?

- What would be the effect of an unforeseeable natural disaster such as an earthquake?
- What environmental impact is likely and, in particular what will environmentalist and general public reaction be?

- Is there any risk of a change in the partnership between company and Government such as a change of government or a Government change in contract terms?

Other strategic considerations identified by experts follow similar lines. For instance, one Australian analyst insists that project promoters must "check that production capacity can be sold without having to sell some proportion of it off at a discounted rate".

Investment analysts also warn about co-company researchers who become enthusiastic about the project and its potential.

Says a Treasury official: "Project developers must keep on top of the analysts who are presenting black boxes they understand but no one else does. A danger is that judgments may be made by a few people who won't see the fruits of those judgments for 10 years or more."

"Best estimates then become hunches."

His answer: Don't rely on the vice just from the perspective of the project and its technology. Get a second opinion.

Yet another investment expert: "Over an extended period, a large-scale project loses some of its flexibility and can become a hostage of fixed events."

These international strategic questions may appear beyond the sphere of our own big projects, but applying them to a few of the proposed projects illustrates their importance.

In forestry, for example, New Zealand is planning a massive increase in timber output by the end of the decade when supply will multiply three or four times. Forestry of the timber is obviously most financially rewarding to dispose of this supply, it added value providing earnings, jobs and technology.

Thus a new network of roads is planned for the next decade to take advantage of the increased supply.

But will other nations be prepared to sit back contentedly and take our higher-priced processed timber? Will we want cheaper log timber for ourselves, saving import and providing their own?

Will other countries enter New Zealand? Will we be able to sell what we want to export?

New Zealand Steel, planning a major expansion with detailed financial aid due to be completed in 1985.

The proposed expansion of the company's Glenbrook plant, in fact, one of the biggest of the major projects, is estimated at \$600 million.

But while New Zealand's talks of expansion, steel industries in other countries are filtering under high costs and a falling demand for such traditional steel uses as the car industry.

The same high energy to move hit vehicle manufacturers who are facing a retooled market and are looking for substitute materials like plastic and aluminium to replace the heavier steel.

In fact, the New Zealand Steel plan causes the most quiet among financial bankers and industrialists.

Aluminium, too, is without a long-term demand in crystal ball. Since announcement of the Aranui smelter, critics have consistently questioned assumptions for the long-term price and demand potential is strong enough to support such a major expansion of the New Zealand industry.

Equally, does the country need a second smelter? Comalco is adding another smelter to Tivoli Point and now wanted to add another two.

The developed infrastructure already in place at Bluff and have meant cost savings in process, the non-Aranui expansion plan.

Environmentalists and an extended Tivoli Point project are currently planned. Tivoli and two-line expansion would mean further environmental damage.

Should the nation be putting so many of its security-power eggs in one aluminium basket?

gamble our future on projects of uncertain benefit?

appropriateness to the New Zealand scene.

Quite a few observers have given the "Think Big" programme as largely an electioneering ploy.

A leading financier has described it as a "horrendous gamble" by a government "playing politics against economics". (NBR, May 18).

A leading banker told NBR: "Take away the big projects and what sort of campaign platform has the Government got left?"

And Len Bayliss, the Bank of New Zealand's chief economist and a frequent critic of Government economic policy, told an accountants' convention last February: "The benefits from the major investment projects are difficult to assess with any degree of accuracy particularly in view of prospective cost escalations and labour shortages."

"On the limited evidence available the employment and net foreign exchange benefits appear relatively modest on a national basis."

"There must be considerable doubt that the major projects represent the optimum use of New Zealand's scarce resources of capital and skill — particularly in view of the very substantial foreign exchange earning and employment potential in the farming, fish processing and tourist industries where New Zealand enjoys substantial international comparative cost advantages."

Although the Government remains deeply committed to the programme, it is sensitive to critics.

It is also anxious to steer voters' minds away from a vision of monstrous industrial mills holding power-line hands across the New Zealand countryside and leaving no room for the little fellow.

With increasing unease among small businesses, who are thinking Social Credit may be a better bet for their size of trading, Prime Minister Muldoon has attempted lately to switch the "Think Big" slogan to "Think Growth".

Not only the scale of the programme is becoming increasingly questioned; the downstream flow-on claims from the Government also raise eyebrows.

During the next 10 years, actual construction site employment amounts only to a few thousand people.

Because many of the plants are capital intensive, incorporating modern technology to replace workers, employment when they come on-stream will also be limited to a few thousand.

Downstream processing of output appears limited, too. For example, no industry has yet been found to work the output from proposed increase in aluminium output.

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THE CAPITAL LETTER

Thanks for almost telling us, Barry

THE art of passing the buck has reached a high peak in ministerial circles. Unlike the business world, the Cabinet routine is to pass it down the line instead of up.

When Prime Minister Rob Muldoon proclaimed the "Think Big" programme would provide 160,000 jobs at decade's end, NBR contacted his office to find out the basis of the figure.

Muldoon, we were told, got the figure from Minister of Labour, Jim Bolger. Off to his office. Bolger, we were told, got the figure from Energy Minister Bill Birch. Off to his office.

Birch, we were told, was not available. But his second-in-command, Under-Secretary Barry Brill had the figure. Off to his office.

Brill told us he got the figure from a confidential Treasury report prepared for the Government and, sorry, we couldn't have a copy.

But he was prepared to tell us the formula used to arrive at the flow-on employment effect. We are thus beholden to Brill for our knowledge of the multiplier analysis. We will haven't seen the Treasury formula.

critics cannot disprove their arguments.

Dispute them, yes. But no one (including the Government) can say with precision what effect the projects will have economically and socially if they all go ahead.

Certainly, the impact will be significant, as this series has attempted to illustrate.

But accurate prediction is impossible. Changing national and international circumstances could alter an individual project or the programme itself almost overnight.

With that possibility in mind, should New Zealand be punting all its money on a handful of high-cost, high-risk projects with no clear-cut bottom-line?



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